

AGRICULTURAL RELIEF

HEARING

U. S. Congress House BEFORE
THE COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

FIRST SESSION

Serial A—Part 7

APRIL 3, 1929



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1929

AGRICULTURAL RELIEF

HEARING

THE COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

FIRST SESSION

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS, FIRST SESSION

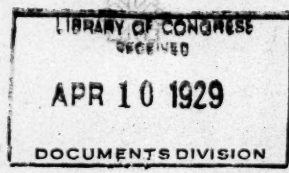
GILBERT N. HAUGEN, Iowa, *Chairman*

FRED S. PURNELL, Indiana.
THOMAS S. WILLIAMS, Illinois.
CHARLES J. THOMPSON, Ohio.
JOHN C. KETCHAM, Michigan.
THOMAS HALL, North Dakota.
HARCOURT J. PRATT, New York.
FRANKLIN W. FORT, New Jersey.
FRANKLIN MENGES, Pennsylvania.
AUGUST H. ANDRESEN, Minnesota.
CHARLES ADKINS, Illinois.
JOHN D. CLARKE, New York.
CLIFFORD R. HOPE, Kansas.
ELBERT S. BRIGHAM, Vermont.
VICTOR S. K. HOUSTON, Hawaii.

JAMES B. ASWELL, Louisiana.
DAVID H. KINCHELOE, Kentucky.
MARVIN JONES, Texas.
HAMPTON P. FULMER, South Carolina.
THOMAS A. DOYLE, Illinois.
WILLIAM W. LARSEN, Georgia.
WILLIAM L. NELSON, Missouri.

L. A. DARNELL, *Clerk*.

II



OFFICE OF THE CLERK
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

CONTENTS

Statement of—	Page
Mr. Edwin McKnight.....	571
Mr. Rudolph Lee.....	571
Mr. A. U. Chaney.....	604
Mr. John D. Zink.....	615
Hon. Arthur M. Hyde.....	623
Mr. C. W. Croes.....	648
Mr. W. H. Settle.....	653
Mr. Charles Barrett.....	669
Mr. Charles I. Stengle.....	674
Mr. Edward H. Booth.....	676
Mr. John M. Byrnes.....	678

AGRICULTURAL RELIEF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Wednesday, April 3, 1929.

The committee met at 10 o'clock a. m., pursuant to adjournment, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Mr. PURNELL. Mr. Chairman, Mr. McKnight wishes us to give him one minute to make a statement, and then we have Mr. Lee.

STATEMENT OF EDWIN McKNIGHT, MEDINA, N. Y.

Mr. McKNIGHT. My name is Edwin McKnight, Medina, N. Y.

I have a bill here for farm relief that I would like to submit to the committee for their consideration when they come to draft a bill. Shall I outline it a little bit?

The CHAIRMAN. We shall be glad to hear your suggestions.

Mr. McKNIGHT. I have a bill for farm relief which is a practical and a constitutional farm-relief measure.

It is equitable to all the people of the United States.

The cost of production and a reasonable profit at the farm gate is the only solution of the farmer's problem.

This bill aims to give the farmer that economic price.

The spread between the farm gate and the pantry of the food consumer is, roughly speaking, double what the farmer receives. This bill aims to cut the cost of distribution in two parts and give one part to the farmer.

The bill provides for agricultural clearing houses in 30 of the principal cities. It has licensed farm warehouses, licensed retail markets, and licensed commission merchants. It has no sales tax. It has no equalization fee. Perhaps you can use it, or some part of it, when you come to draft a bill.

The CHAIRMAN. Thank you very much.

The CHAIRMAN. The next witness is Mr. Lee.

STATEMENT OF RUDOLPH LEE, LONG PRAIRIE, MINN., REPRESENTING RURAL NEWSPAPERS IN MINNESOTA, NORTH DAKOTA, AND SOUTH DAKOTA

Mr. ANDRESEN. Mr. Lee, will you give your name and address and place of business, and whom you represent, for the benefit of the record and the committee?

Mr. LEE. Yes, sir. My name is Rudolph Lee, from Long Prairie, Minn. I represent a large group of rural newspapers that are pub-

lished in Minnesota, North Dakota, and South Dakota. In this group of newspapers there are upwards of 180—to be exact, I think there are 186 papers—that are grouped together for the purpose of urging a plan which, for want of a better name, we have called the Minnesota plan of farm relief. Because of its general support, perhaps it could be better called the Northwest plan of farm relief.

This plan has to do largely with two lines of work: One, the elimination of the surplus through properly adjusted tariffs; and, second, the development of better farming methods, after the American market is secured for the American farmer.

We have made quite a little study of this, and we believe that if the American farmer could be assured the American market, the surplus situation would be largely settled. It would take a little time to bring that about.

Our understanding is that we are importing now in the neighborhood of two and a quarter million dollars' worth of farm products, all of which could be produced in this country, according to soil and climatic conditions.

The problem of the farmer is to find a market for what he is producing. If we can give him a market for what he produces, then the farm problem will be very largely settled. It settles itself. So here we have the situation of this enormous quantity of farm products coming into the country, and at the same time the farmer desperate for a market for these same products. And so it has appealed to us as a reasonable and common-sense solution of the problem to readjust the tariff so as to keep out such part of these imports as may be necessary for that purpose. If we can keep out the imports, thereby giving to the American farmer a market for some of his products, acres that are now devoted to producing crops in surplus will be turned to the production of some of the crops that are imported, and as you reduce the acreage devoted to producing crops in surplus you are automatically going to cut down the surplus.

And so it has seemed to us—we have been studying and discussing the matter for quite a good many months, and in that discussion and exposition of it we are certain that we have a very strong Northwest response—that a properly adjusted tariff will result in the development of those conditions eventually where this surplus will be very largely wiped out. When we wipe out the surplus we have very largely settled the farm problem.

We suggest that if that can be done we will have the thing started for immediate farm relief. We realize that there are some problems connected with that which are quite serious and hard to settle, requiring the advice of experts to settle them. We are importing immense quantities of farm products from our island possessions, and we are under certain obligations to them. We can not put a tariff on that will keep out all these products, perhaps, but we have the peculiar situation that the islands do not export to us anything but farm products. They do not export any manufactured products to us. They export farm products; and so we have the situation wherein the American farmer is paying, you might say, the entire expense of looking after our islands and carrying out our program of Americanization, whatever that is.

So some such program as was outlined to you by Doctor Coulter, of North Dakota, it seems to me, is fair and reasonable and would

offer one method of helping to give to the American farmer the American market.

We are firmly of the opinion that if the American farmer can have the American market for what he produces the farm surplus problem and all the rest of it will automatically disappear. We believe also—and I think there is considerable Northwest sentiment favoring it—that there should be a Government board established for the purpose of assisting in getting agriculture upon its feet. We believe that this board should be established within the Department of Agriculture, because we think it is a mistake to create any more boards than are necessary. We think that this board should have broad powers to assist in marketing and in stabilizing crop prices. We do not come before you with any particular plan as to how that is to be done, believing that that is the work of experts; but we do believe that in working out the farm problem there should be this stabilization board, and I am satisfied that the people of the Northwest would back up some such program as that.

We further believe that the ultimate solution of this farm problem is to encourage those things which help to produce better methods upon the farm. We think that that should be considered by this committee in working out what we might say would be a sort of broad national agricultural policy, wherein the conditions would be developed under which a good farmer could find the opportunity to prosper. We believe that there should be larger appropriations to the State farm schools in the different States; that there should be larger recognition of the work that the county agents do, and of the work that the boys' and girls' clubs are doing. We have a great many of them up in the Northwest, and they are devoted to the development of better farming methods. Therefore, briefly, the situation as we understand it is this, and I believe the Northwest sentiment will back it up: That if through a tariff properly adjusted you can give to the American farmer the American market, this vexed problem of the surplus will disappear; that if you give him the market, and then assist through this stabilization board and through these various other methods to encourage him and help him introduce better methods, so that he can supply the market at a less and less cost of production, you automatically will increase his net returns, and in doing that you will develop a situation under which a good farmer anywhere, north, south, east, or west, can find the opportunities for becoming independently prosperous.

As I said, we have in this little group 186 newspapers. They are scattered in Minnesota, North Dakota, and South Dakota. They are backing up these proposals that I have outlined very briefly, with the idea that they are practical; and I am here to say that if the committee or Congress will carry out some such plan as that, we will regard it as practical, and I am satisfied that the people of the Northwest will consider that the committee has done a good job, that the campaign promises have been redeemed, and that the situation will develop wherein it is actually true that a good farmer finds the opportunity to prosper.

I think that is all I have to say as an introductory statement.

Mr. PURNELL. Mr. Lee, you agree with Doctor Coulter that we are importing our surpluses rather than raising them?

Mr. LEE. Yes, sir. My understanding is that it would take in the neighborhood of 63,000,000 acres to produce the farm products that we imported in 1927. If that is true, and if this whole problem of agriculture is to find a market for American-produced products, why is it not a common-sense proposition to keep out some of these, as much as is necessary to give the American farmer that market? If you give him the market, it seems to us that you will have automatically settled the problem.

So we believe that the big thing in the solution of this farm problem is, first, and immediately, to give us a farm-tariff bill that will give to the American farmer the American market.

Mr. PURNELL. Thank you, Mr. Lee.

Mr. KETCHAM. Mr. Lee, you are very familiar, of course, with the work that has been done in the way of encouraging diversification in the Northwest?

Mr. LEE. Yes, sir.

Mr. KETCHAM. Now, in your judgment, has that affected the problem of surplus production in certain fields that give us a great deal of concern? Has that begun to show its effect?

Mr. LEE. Yes, it has; particularly in dairying. Of course, if all farmers could diversify there probably would not be any farm problem; but that is impossible in a great many localities and with a great many products. But along the line that I suggested as the second part of our program, the encouragement of diversification, wherever that is practical and reasonable, would be one factor which would ultimately develop a situation wherein agriculture could become dependably prosperous.

Mr. KETCHAM. Of course, if every farmer out of the 6,000,000 farmers in the United States changed his present methods and diversified, then we might run into some surpluses in some other fields, might we not?

Mr. LEE. Well, diversification does not necessarily mean the production of the same crops. Diversification means rotation of the crops for the building up of the soil and the development of those conditions wherein soil does not run down. Of course, if they all produced the same crops, we would have the same problem that we have now.

Mr. KETCHAM. I do not think you quite get the idea that I had. For instance, one man who rather graphically described the situation in the Northwest said, "We want to cure the situation whereby a fellow farms for 90 days and plays pool for the other 9 months of the year." Now, that is not my statement. I thought it was a rather graphic description of possibly an extreme condition. But if it describes with any degree of accuracy the practice of some men, of depending upon one crop alone, I grant you that the group of men should all diversify. Do you not believe that even in so wonderful a business as the dairy business it might possibly be overdone?

Mr. LEE. Yes; it could.

Mr. KETCHAM. But, on the other hand, there is, of course, what we call the dairy belt in the United States, and that takes in the territory in which you are operating?

Mr. LEE. Yes, sir.

Mr. KETCHAM. And it would be pretty difficult to make it extremely profitable outside of that?

Mr. LEE. That is true as to dairying.

Mr. KETCHAM. Have you given any consideration to Doctor Coulter's idea of enlarging the legislative scope of the drawback proposition that is now in operation so far as wheat and flour are concerned?

Mr. LEE. I know that he has made that proposition. I read in the paper this morning his testimony of yesterday before this committee. It seems to me that that would be a practical proposition.

Mr. KETCHAM. I think that is all, Mr. Chairman.

Mr. PURNELL. I just want to announce now, for the benefit of the committee and visitors, that the Secretary of Agriculture will appear before the committee at 1.30 to-day.

Mr. HALL. Mr. Lee, in your general statement you referred to the work done by the county extension workers and by the boys' and girls' farm clubs. I am wondering whether or not, in your opinion, some sort of work along that general line, but directed to the marketing and distribution problems, could not be worked out?

Mr. LEE. Yes, sir.

Mr. HALL. Instead of working altogether on the production end of it, if we could have some studies among the boys and girls in their clubs, and through the home economics workers and demonstrators, as to the marketing and the distribution of our farm products, would not that help out some?

Mr. LEE. Yes, sir; it would. Now, I understand that my time is limited, so I have not referred to this Minnesota plan in any detail. I have some booklets here which explain it; and one of the things that we urge is the proposition of better marketing. There is too big a spread between what the consumer pays and what the producer gets. In the development of a better marketing situation there will be the opportunity to increase the net returns to the man who produces; and I would assume that one of the functions and duties of this Government board that I mention would be to assist in the development of better marketing.

Mr. HALL. Mr. Lee, being lined up with this group of north-western newspapers, I am heartily in sympathy with your work, because for a long time I was in the newspaper business in Fargo, N. Dak., and other places. Do you not find that among the newspaper men, not only on the dailies but the weeklies, there is a great demand—you might say an appetite—for news from the county agents that they do not get until it has been published in bulletin form, and which is old and stale by that time? If we could have the county agent given a little broader authority, perhaps, so that he could pass out to the newspaper men a paragraph on live, real, interesting, and important stuff when it happens, rather than three months or six months later, do you not imagine that every man in the district out there would be glad to set it up in type?

Mr. LEE. There is no question about it. They do it regularly when they can get it.

Mr. HALL. Even running into a column or two?

Mr. LEE. Yes, sir. In my work as the editor of the Long Prairie Eagle we have a farm department that does that kind of work. I have a practical farmer in charge of it. He has been on the job for eight years. It happens that we have no county agent in that

county, and this man does that kind of work, and we find it very effective.

Mr. HALL. That is all.

Mr. LEE. I want to say this; and I am satisfied that I speak for this newspaper sentiment, which includes the largest rural newspapers in the three States: That the farmers up there in the Northwest are interested in something that is practical, and something that will be more or less immediate. I do not think they are going to demand any standardized plan which will have to be that particular plan or nothing; but they want something that is practical and reasonable, and if they get it from the committee and Congress, they are going to be satisfied, and there is not going to be any amount of complaint. We believe, from what we have heard from our farmers—and we hear from them all the time; we are in close touch with them; and, although I do not come here claiming to represent the farmers, I think I can speak for the sentiment, because a rural newspaper man is closer to farmers than he is to any other class of people—that what they want is something that is practical and reasonable. They would like it immediately, and there is very strong sentiment that in a properly designed tariff bill, which will give the farmer the American market, there is the immediate solution of the problem; that the establishment of a Government board to see to it that the farm problems are handled along the line that this board is supposed to handle them will lead to the ultimate solution of this problem, and that the farmers of my territory will be satisfied if they get some such program as that.

Mr. LARSEN. Mr. Lee, I assume that you come from the Northwest, and therefore you especially emphasize that section?

Mr. LEE. Yes.

Mr. LARSEN. You realize, of course, that we have a very acute problem all over the country?

Mr. LEE. Yes, indeed.

Mr. LARSEN. You spoke of our importations of farm products from our island possessions. Some of these island possessions are very anxious to become disconnected from their association with the United States, are they not?

Mr. LEE. Yes, sir.

Mr. LARSEN. Is it your idea that it might be well to give them their independence and keep the American farmer from starving to death because of competition with the products they are shipping into the States?

Mr. LEE. No; we do not go that far. We merely say there is the situation that exists, and we think that this committee and Congress ought to take into account that that is the situation and they ought to settle it in part at least in the interest of the farmer.

We do have a situation where the Philippines, for instance, are seeking independence; but we have a situation where the American farmer is paying the entire bill, and we think it only fair, recognizing our duty to the islanders, that some system be developed whereby the American farmer will be compensated in some way for this immense market for his own products that is taken away from him because of these island imports.

Mr. LARSEN. You also realize, of course, Mr. Lee, that invention has played a very important part in depriving the farmer of

a market for his products, in that the horses they used to have around these cities have been supplanted by automobiles, which do not consume corn, oats, and hay, and the farmer, therefore, has lost quite a good deal of his income from this cause. The income from this source has gone to the manufacturing interests, has it not?

Would it not, therefore, be fair to adjust the tariff so as to help bring the farmer more nearly up to the manufacturing classes to compensate for that loss?

Mr. LEE. I would think so. We think this, if it is answering your question, that the protective-tariff policy seems to be the policy of this country. For years it has been used to build up the manufacturer, to help him to get the home market. Agriculture is an industry, and if there is anything whatever in the protective-tariff principle we must give the American farmer the home market, just the same as we would give it to the industrial group.

If the islands were exporting to us nothing but manufactured goods, I am quite satisfied, gentlemen, that there would be a tariff put on them. But, because they are exporting to us nothing but agricultural products, the problem of Americanization of these people seems to be given at least considerable importance. Of course, it should. But if the American protective tariff policy is to be a fair policy, it must be made to operate for all industries.

If it is fair to give the manufacturer the American market, then it certainly is fair to give the American farmer the American market. We believe, because of the immense importations, that if the American farmer can just be given the American market there would not be any farm problem at all. It would keep him hustling to supply the demand of the American market.

Mr. LARSEN. You realize that in the production of cotton the major portion of the crop goes into export. What solution, if any, have you for the difficulties confronting the producer of a staple like that? How would you make the tariff effective? How would you take care of the problem that confronts the cotton producer?

You realize, of course, if you do not solve his problem, you cut down to a very great extent the market of the man in the Northwest who supplies mules and manufactured products to the section of the country that produces cotton. In other words, the manufacturer's market is also curtailed.

Mr. LEE. I know nothing whatever about the farm situation outside of my own territory, and I would prefer not to testify regarding that. That is, of course, a factor that must be taken into account. I am endeavoring to testify from the standpoint of the Northwest.

Mr. LARSEN. You do not know how you would make the tariff effective on cotton?

Mr. LEE. No, I do not. I have not given that any study.

Mr. LARSEN. That is all, Mr. Chairman.

Mr. FORT. Mr. Lee, of course, you are familiar with the fact that the tariff problems are problems with which the Ways and Means Committee has to wrestle. This committee has no jurisdiction over that subject.

Mr. LEE. I see.

Mr. FORT. In your Minnesota plan, which you were good enough to mail to the Members of the House a couple of months ago, you had

some proposal for further development of forestry as an aid to the solution of this problem, did you not?

Mr. LEE. Yes. That is more or less indirect, and while it is important I do not regard it as of sufficient importance to take up the time of the committee to discuss it to-day.

If I may be permitted to answer that by saying that we are of the opinion that there should be no further appropriations for reclamation projects until such time as the American market catches up with American production.

When the problem of the farmer is to find a market for what he produces, it seems to us to be a rather ridiculous situation to spend money to bring more acres into production.

Therefore, as a part of our plan, we think it is wise, and we feel that there should be no more reclamation projects started until there is a demand for more acreage to produce more agricultural products.

Mr. FORT. Did you not also have a reference in your plan to the desirability of putting some of our marginal and submarginal lands back into wood?

Mr. LEE. Yes. That is important and we think that that can be done. We are doing it to a large extent in Minnesota at the present time.

Mr. FORT. Through your farm-lot program?

Mr. LEE. Yes.

Mr. FORT. Do you mind explaining to the committee—we have had some little evidence on that already—just what is the Minnesota farm-lot program? What is your law there on farm wood lots?

Mr. LEE. I do not believe I know, Mr. Fort. I know that we have a plan in our State.

There is now an effort in our State to take lands not strictly adapted to agriculture and put them into forestry. We are making them some tax concessions which make it easier to put those areas into the production of trees, particularly pine trees. The taxes on them are not paid until the trees are marketed, which would be 25 or 50 years hence.

I am not familiar enough with that, though, to give you much information about it.

Mr. FORT. Is there not also some work being done under the university or by the State government somewhere looking toward the inducing of every farmer to plant, if he does not now have one, a wood lot, and thereby draw the least desirable of his land out of production?

Mr. LEE. I am not familiar with that.

Mr. FORT. And reduce acreage.

Mr. LEE. Mr. Knutson tells me that there is no law on that, but I do know that the farm papers and the extension workers are encouraging farmers to plant areas into wood lots—areas that are not adapted to agriculture.

Mr. FORT. This committee is a committee on forestry as well as agriculture, and they have jurisdiction over that subject. I wondered if you had any concrete suggestions along that line.

Mr. LEE. I could not give you any information on that.

Mr. FORT. Is there not something also in your Minnesota plan on the desirability and utilization of land survey—or is that some other plan?

Mr. LEE. That is some other plan.

Mr. FORT. I thought it was in yours. Generally speaking, you agree with those witnesses who constitute the majority of those we have had here, that surplus can only be controlled by reducing the production of the surplus; is that correct?

Mr. LEE. Yes.

Mr. FORT. Your idea of doing it is by inducing a diversification, by making that diversified crop more profitable?

Mr. LEE. Yes.

Mr. FORT. That is all.

Mr. NELSON. Mr. Lee, you are a country editor?

Mr. LEE. Yes, sir.

Mr. NELSON. Incidentally I may say that it gives me real sympathy for you, because I spent a number of years in country newspaper work. I might say also that in all those years, in the papers which have been continued in the family since, we have followed the plan suggested by you, of having a farm and stock department in charge of capable men, giving back to the farmers of the county and of the district, the best local agriculture, as Mr. Hall, I believe it was, suggested; in other words, in giving to our readers more about red barns and less about pink teas; making a country paper that would appeal to country people.

I assume that you are in pretty close touch with the rural situation?

Why are you here?

Mr. LEE. Why?

Mr. NELSON. Yes.

Mr. LEE. I am here because I am interested in having the farmer prosperous. My business is running a rural newspaper and the people with whom I do business are farmers. My acquaintances are farmers. My relatives are farmers. That is true, I think, with every one of the 186 rural newspapers that have just grouped themselves together to urge practical methods of farm relief. We are in this for absolutely no other purpose than to try to contribute a little something to assist in the solution of this problem. That is the reason I am here.

Mr. NELSON. You feel then that during the last eight years the farmer has not been prosperous?

Mr. LEE. No; he has not been prosperous in proportion to other lines of business.

Up where I come from, a great dairy country, he has been more prosperous than he has in other sections. But I know from personal experience that the farmers in the Northwest have had a very hard time the past eight years. It has seriously affected business conditions of all kinds.

Mr. NELSON. In other words, the depression on the farm is reflected in your own business?

Mr. LEE. Yes.

Mr. NELSON. And in every other business in your town. You are in a small town?

Mr. LEE. Yes, sir; 2,000 population.

Mr. NELSON. And you feel that the problem of the small town is the problem of the farm?

Mr. LEE. Yes, sir.

Mr. NELSON. So do I. I wish we had time to follow that line of thought further, but we have not.

Getting back to your suggestion, you expressed the thought that if we could give the American farmer the American markets alone he would prosper. Do you think that holds true, for instance, of hogs and pork products? Do you believe the American farmer could profitably dispose of all of his pork and all of his lard in this country?

Mr. LEE. That is something I am not expert enough to say, but I believe this: We imported around 500,000,000 pounds of meat products in 1927. We imported half a billion pounds of fats and oils, and certainly if the American market could be supplied from the American farms we would establish an enormously increased market for the products of the American farms.

I have given the matter enough study to come to the conclusion that if we can thus give the American farmer the American market, that he can adjust his farming in such a way that it will keep him hustling from sunrise to sunset to supply that market.

Mr. NELSON. Then you believe that if we could set up an absolute embargo which would prohibit the bringing in of any agricultural products, making exceptions of coffee and tea, and things that we can not well produce here, that would insure prosperity to the American farmer?

Mr. LEE. I would not say that, because that would precipitate other problems that might make as much trouble. In my remarks I think I was careful to say that we should keep out as much of these products as is desirable. I would not say that we should keep them all out, I do not think it is necessary to keep them all out in order to keep the American farmer hustling to supply the market.

When you figure that it will take 63,000,000 acres of land to produce the farm products that we imported in 1927, and that 63,000,000 acres amount to three times the acreage that was put into wheat in Minnesota, North Dakota, South Dakota, and Montana in the same year, you begin to see the possibilities of even a small tariff to keep out some of these products and to give the farmer the American market.

Mr. NELSON. You have referred to wheat. Do you think the tariff on wheat is effective to-day?

Mr. LEE. Well, I do not believe it is.

Mr. NELSON. While this committee is not empowered to establish rates, if we are going to have a tariff on wheat it should be effective, should it not?

Mr. LEE. Yes.

Mr. NELSON. And it is within the province of this committee to suggest a method, or to set up a machine by which the tariff can be made effective. Do you believe that we ought to do it?

Mr. LEE. I believe this. The tariff is a versatile proposition. You can aid the product without putting a tariff on it.

Mr. NELSON. You have not answered my question. Do you believe this committee should set up machinery to make effective the tariff on wheat?

Mr. LEE. Yes, I do, so far as it can be done.

We imported, as I understand it, 30,000,000 pounds of stocks in 1927. A tariff on potatoes would not do very much good. There

is a great surplus up in our country. In fact, thousands of acres were not dug. They sell for 20 cents a bushel in my town.

A man named John Sirlain who used to operate a little starch factory at Grasston, in an interview, stated that if we would have a tariff of I think he said 6 cents a pound on starch, he could pay 50 cents a bushel for potatoes right now. So that a tariff on starch will help the potato farmer when perhaps a tariff on potatoes would help him very little, if any.

I mention that merely to show that you can help a farm product without putting a tariff on the product itself. I think that can be done with wheat.

Mr. MENGES. If I understood you correctly, you are in favor of immediate farm relief, are you not?

Mr. LEE. Yes, sir.

Mr. MENGES. You stated that you believed in the adjustment of production to consumption. That is not stating it as you did, but is that your idea?

Mr. LEE. How is that?

Mr. MENGES. You believe in the adjustment of the production of American agricultural products to the consumption of them, do you not?

Mr. LEE. That is necessary if you would preserve the market, but I think this: That the American market is so vast and it is increasing so fast that if we can give the farmer the American market he will automatically adjust himself and his production to it.

Mr. MENGES. How long do you think it would take the agricultural interests to adjust themselves to produce what is needed here, to exclude imports?

Mr. LEE. I do not believe that it would take over two or three years, providing the market was there, and I assume that the market can be placed there through a tariff. If the market is there, if it is profitable to raise a crop, the farmer will raise it and he can adjust himself to that in a great many cases in one crop season.

Mr. MENGES. I come from a section of the country where we have diversified for 150 years. I feel that it would take us some years to adjust ourselves. Up until the time that we are adjusted, you would let the farmer hang the way he hangs now?

Mr. LEE. No; I assume that this committee is going to report out an agricultural board proposition which will have to do with the matter of marketing and with the matter of stabilizing marketing and with the matter of financing and marketing under proper conditions. That will be one thing that will contribute to the immediate relief of agriculture. I do not believe when I say immediate, that it is going to be done right now, but if we can pass this tariff that will give the American farmer the market, things will automatically adjust themselves within two or three crop seasons at the most.

Mr. MENGES. I, in part, agree with you that that could be done. But if I understood you correctly, you said that you would permit the Department of Agriculture to handle this proposition in the way of adjustment, and so forth; is that correct?

Mr. LEE. I suggested that this board be made a board within the Department of Agriculture. That was merely for the purpose of avoiding the establishment of a great new department of the Gov-

ernment. It seems to me that it is a mistake, if it can possibly be avoided, to establish another great department, because this department would be apt to be pretty large, and I think that the growing bureaucracy in this country is something to be considered carefully. I think there should be a very, very excellent reason that would prompt the committee to recommend the establishment of a complete new department. Rather, it should be made a part of some department already in existence.

Mr. MENGES. I am as much opposed to the creation of any more departments as any man can be. I am opposed to bureaucratic government. I think we have had the Smith-Lever Act in operation for about 15 years, have we not?

Mr. LEE. Yes, sir.

Mr. MENGES. And when that law was passed it was held up to us as the penacea for all our ills. To-day it is in operation and we are worse off now than when we started. Would you hand over the matter of farm relief to a party who has made a failure of it?

Mr. LEE. Wherever Smith-Lever schools have been established, they have done very good work, and have tended to make the farmer a better farmer. I believe this, that if every farmer were as good a manager as the average manager of a manufacturing plant, the farm problem would very largely settle itself.

Mr. MENGES. By repealing the Smith-Leaver Act?

Mr. LEE. No. The Smith-Lever Act is one of the things that helps to make him a better farmer.

Mr. MENGES. I mean, taking things as they are.

Mr. LEE. Yes, sir.

Mr. MENGES. Do you not find conditions just as I have described.

Mr. LEE. Yes; they are, to a large extent. We have counties in our State where they would not have a county agent come into the county.

Mr. MENGES. We have a county agent. I want to be clear on that. I am not fighting this operation at all. I am simply asking you the question whether, with conditions as they are, it is safe to hand over any more work having to do with the marketing of our products to the people who have been doing it for 15 years, and who have not accomplished anything.

Mr. LEE. I assume that you are not satisfied with the administration of these things by the Department of Agriculture.

Mr. MENGES. Yes; I am. I am perfectly satisfied to let the Department of Agriculture do it, provided they do it.

Mr. LEE. We have a right to assume that they will, I think.

Mr. ANDRESEN. Mr. Chairman, I might say that in Minnesota, and probably in the whole country, there has been no single group of business men who have taken a greater interest in solving this problem than the group represented by Mr. Lee, the country newspaper men of Minnesota. By the direction of the Minnesota delegation in Congress, I have been requested to present for the record the plan or the brief proposed in the Minnesota farm plan. I will ask unanimous consent that that go into the record.

The CHAIRMAN. Without objection, it is so ordered.

Mr. ANDRESEN. That is all, Mr. Chairman.

(The document referred to is as follows:)

**THE MINNESOTA PLAN OF FARM RELIEF—SUGGESTIONS FOR CONCRETE EFFORTS
BY CONGRESS IN BEHALF OF FARM RELIEF**

SOME EXPRESSIONS AS TO THE PLAN

"Taken as a whole, the program is the most comprehensive and well thought out plan of fundamental agricultural relief that has yet been presented."—Harry N. Owens, editor *Farm, Stock, and Home*.

"Although hailing from a part of the country distant from Minnesota I wish to say that I find myself in agreement with most of the propositions contained in this plan, and in entire accord with the spirit and principle of the proposed plan. For instance, as to the tariff, I find that there is no difference in principle between the tariff in Minnesota and the tariff in Connecticut. I am also in accord with the provisions relating to research, and for continued efforts to reduce costs of production, the creation of a Federal farm-loan system, continued support and aid in the development of cooperative marketing, and the recognition of the growing need for cheap fertilizer. In fact, the plan carries a number of suggestions that seem to me might be made most helpful."—Congressman John Q. Tilson, Republican floor leader in the House.

"It should command the support of every fair-minded citizen whether directly interested in agriculture or not."—W. S. Moscrip, dairy and livestock farmer.

"At a meeting of our officers December 17, they went over this proposed plan very carefully, and I am glad to say that they give it their hearty indorsement."—H. R. Leonard, manager Twin City Milk Producers' Association. (This is one of the largest farm cooperatives of its kind in the world.)

"I sincerely trust that the editors who sent out the so-called Minnesota plan for farm relief will continue the good work. I have heard many favorable comments regarding the definite, concrete suggestions of the plan. Strength to your arms!"—Congressman C. G. Selvig, Ninth district, Minnesota.

"We indorse the suggestions of the 'Minnesota plan' of farm relief as sponsored by rural editors of the State and take this occasion to express to the editors our appreciation of the work they are doing to help work out definite and practical aids to farm relief."—Minnesota State Dairyman's Association in annual session at Waseca.

"The Minnesota plan makes a distinct contribution to the thought on national farm policy and is bound to have a valuable influence on our normal farm development as well as to stimulate the drive for emergency legislation. We take this occasion to thank the rural editors."—Minnesota Holstein Breeders' Association in annual session.

"We indorse the 'Minnesota plan' of farm relief as sponsored by rural editors and believe that it offers practical suggestions leading to farm relief."—Minnesota State Agricultural Society in annual session.

THE MINNESOTA PLAN

Believing that much can be gained by developing concrete, workable, and just proposals out of the general sentiment for national policies more favorable to agriculture, and believing that now is the time for such concentration of thought, rather than for mere assertion and protest or political maneuvering, we the undersigned suggest attention to the following program and we hope for such general approval that it may be held up to the country as the Minnesota plan. We do not assume to include all that might be practical and we welcome suggestions for amendment.

1. Development of Mississippi and St. Lawrence waterways within limits that can be approved by disinterested engineers and business men. Delegation of power to the Interstate Commerce Commission to permit Northwest railroads to compete with the Panama Canal for western traffic.

2. Retention of the flexible feature of the Fordney-McCumber Tariff Act—a vital need to prevent maladjustment between acts of Congress and rapidly changing world conditions.

3. Amendment of the tariff laws to provide for the following:

(a) Revival of the potato-starch industry in Minnesota and in other potato-growing States. A higher tariff on flax and on any other farm products that

can be produced in our country and which have foreign competition in the home market.

(b) Such tariffs on vegetable oils as will make corn oil and other vegetable oil production here pay and such as will end the advantages these foreign vegetable oils have as substitutes for animal and dairy fats.

(c) A better dairy schedule designed to put other dairy products on a basis equivalent to that of butter and to protect milk and its by-products, such as cream and milk powders, and casein against foreign competition.

(d) There should be no competing meat and poultry imports, and the various animal by-products should be so protected that their prices will help to sustain the farm prices for the whole animal. In this connection we suggest consideration of a bonus on exports of animal products to the end that the livestock industry be stimulated, thereby becoming a factor in consuming a surplus of grain and in the process keeping fertility on American farms instead of shipping it abroad as would be the case if grain exports are stimulated instead of livestock products. We suggest, however, that in case of grain-surplus emergency, provision for an export grain bonus be considered but with suitable penalties for continued overproduction.

(e) All cereals should bear such high rates of protection that threat of imports can not interfere with prices set by domestic demand and supply.

(f) There should be a sugar policy, perhaps one of gradual increase in protection over a series of years, with the end in view that the continental United States shall be practically self-sufficient in sugar. Public security as well as farm welfare demands such a policy.

(g) Executive actions on tariff rates should be made acts of Congress so that in the future the Executive may be free to render further aid under the flexible clause.

(h) Farm-product protection should be accompanied by such compensating duties for products manufactured therefrom that no such industry shall suffer in the home market.

4. Provision for two lines of research to be projected at once under congressional authority; the one to discover means of replacing imported farm products with native products so far as possible; the other to survey the possibilities of drawing increased raw materials for our industries from American farms.

5. Consideration of the problems arising from the fact that the Philippines, Hawaii, Porto Rico, and supervised countries, such as Haiti, San Domingo, Nicaragua, are and will continue to be agricultural countries, tending to compete unfairly with our continental farming. Development of our inland empire we suggest to be the wiser policy.

6. Consideration of immediate steps to shift Government activity from reclamation of land to reforestation and grazing.

7. Provision for continued efforts to reduce costs of farm production so that prices to consumers can be held down while at the same time careful farmers get fair returns, and also that our export farm markets may be held so far as possible. Along this line there should be increased support of farm schools and colleges, county extension agents, boys' and girls' club work, and all those other agencies calculated to improve business management of the farms.

8. Creation of a Federal farm board with wide powers to assist and advise but without power to determine prices or to make sumptuary rules. Such board to be established at once.

9. Consideration in all such legislation that general credit policies be framed with relation to the length of turnovers in farm production and the need of steady or slightly ascending price levels.

10. Provision for continued support and aid in the development of cooperative marketing as a means of increasing the net returns to farmer producers and at the same time reducing the cost of food to the consumers.

11. Recognition of the growing need of large supplies of cheap fertilizer if American farms are to produce at low costs and acceptance of the idea that aid in securing such supply is to be a part of our national farm policy.

Rudolph Lee, editor Long Prairie Leader.

L. Benshoof, editor Detroit Lakes Record.

W. E. Dahlquist, editor Thief River Falls Times.

H. C. Hotelling, editor Mapleton Enterprise.

C. H. Bronson, editor Osakis Review.

Herman Roe, editor Northfield News.

L. A. Rossman, editor Grand Rapids Herald-Review.

Ed. M. LaFond, editor Little Falls Transcript.

- B. E. Marsh, editor Redwood Falls Gazette.
 Haradon & Rogers, editors Park Rapids Enterprise.
 H. Z. Mitchell, editor Bemidji Sentinel.
 Grace A. Dunn, editor Princeton Union.
 E. R. Umpleby, editor Greenbush Tribune.
 Grove Wills, editor Eveleth Clarion.
 P. W. Kemp, editor Argyle Banner.
 Hay L. Putnam, editor Granite Falls Tribune.
 Iver J. Iverson, editor Hutchinson Press.
 J. C. Morrison, editor Morris Tribune.
 B. K. Savre, editor Glenwood Herald.
 Asa M. Wallace, editor Sauk Center Herald.
 C. W. Carlson, editor Melrose Beacon.
 S. M. Rector, editor Deer Creek Mirror.
 George E. Erickson, editor Brainerd Tribune.
 L. A. Bradford, editor Verndale Sun.
 Roe Chase, editor Anoka Herald.
 D. E. Ward, editor Hubbard County Journal.
 Paul Kinney, editor Alexandria Citizen-News.
 Ed. Vandersluis, editor Sauk Rapids Sentinel.
 E. O. Qualey, editor Menasha Messenger.
 A. H. Langum, editor Preston Times.
 A. M. Welles, editor Worthington Globe.
 C. A. French, editor Monticello Times.
 John P. Mattson, editor Warren Sheaf.
 Alice Ione Huntley, editor Frazee Press.
 Carlson Bros., editors Cambridge North Star.
 C. M. Colby, editor Sandstone Courier.
 T. R. Burges, editor Dawson Sentinel.
 E. K. Whiting, editor Owatonna Journal-Chronicle.
 C. R. C. Baker, editor Willmar Republican-Gazette.
 H. E. Wolf, editor Deer River News.
 Palmer Gilbertson, editor Lake Crystal Tribune.
 Alvah Eastman, editor St. Cloud Journal-Press.
 Liesch & Walter, Brown County Journal, New Ulm.
 Harold Knutson, editor Wadena Pioneer-Journal.
 H. P. Phillips, editor Mahanomen Pioneer.
 A. O. Moreaux, editor Luverne Herald.
 C. R. Campbell, editor Ellendale Eagle.
 L. A. Dare, editor Elk River Star News.
 Burt May, editor Albert Lea Tribune.
 A. L. Hamilton, editor Aitkin Republican.
 Hjalmar Bjornson, editor Minnesota Mascot.
 J. Harold Curtis, editor St. James Plaindealer.
 M. W. Trussell, editor Canby News.
 J. V. Weber, editor Slayton Herald.
 George M. Fosburgh, editor Ortonville Journal-Star.
 Carl Rynearson, editor Walker Pilot.
 S. E. Elliott, editor Hackensack Independent.
 J. W. E. Waddell, editor Pine River Sentinel.
 Benn A. Wagner, editor Pequot Review.
 Edith W. Tiller, editor Battle Lake Review.
 Paul F. Wolf, editor Winstead Journal.
 Andrew Bromstad, editor Milan Standard.
 Theodore G. Johnson, editor Crosby Courier.
 William Merrill, editor Starbuck Times.
 H. R. Dicks, editor Upsala News-Tribune.
 Louis Garden, editor Gary Graphic.
 L. E. Cook, editor Goodhue Tribune.
 George E. Sloan, editor Barnum Herald.
 C. W. Wagner, editor Litchfield Review.
 V. E. Joslin, editor Heron Lake News.
 C. R. Titrud, editor Cokato Enterprise.
 Hull & Eberhardt, editors Motley Mercury.
 W. H. Hassing, editor Carlton Vidette.
 Theodore C. Radde, editor Truman Tribune.
 C. M. Hillman, editor Two Harbors Chronicle.

W. W. Jones, editor *Gonvick Banner*.
 W. L. Oberg, editor *Blackduck American*.
 G. Robert Norris, editor *Williams Northern Light*.
 Nottage Bros., editors *Kasson Republican*.
 L. W. Smith, editor *West Concord Enterprise*.
 Emma J. Harwood, editor *Roosevelt Reporter*.
 George T. Tuttle, editor *Winnebago City Enterprise*.
 George J. Van Rhee, editor *Spring Valley Tribune*.
 William Rund, editor *Granite Falls News*.
 S. E. Wright, editor *Becker Herald*.
 M. J. Walburn, editor *Grey Eagle Gazette*.
 Ed. Vig, editor *Belgrade Tribune*.
 Mae B. Tygeson, editor *Annandale Advocate*.
 W. E. Hutchinson, editor *Eagle Bend News*.
 John M. Parsons, editor *International Falls Press*.
 George E. Johnson, editor *Atwater Republican Press*.
 R. S. Myers, editor *Parkers Prairie Independent*.
 D. E. Cuppernull, editor *Bertha Herald*.
 L. R. Peel, editor *Dassel Dispatch*.
 Carl E. Skog, editor *Evansville Enterprise*.
 Olof Wasinius, editor *Onamia Tribune*.
 M. E. Isherwood, editor *Sebeka Review*.

EXPLANATION OF THE SEVERAL SUGGESTIONS OF THE SO-CALLED MINNESOTA PLAN
 OF FARM RELIEF

Development of Mississippi and St. Lawrence waterways within limits that can be approved by disinterested engineers and business men. Delegation of power to the Interstate Commerce Commission to permit northwest railroads to compete with the Panama Canal for western traffic.

The first suggestion of this needs no explanation. It is not controversial. The benefit to agriculture and to the Northwest in the development of the Great Lakes and Mississippi waterways is generally conceded. No far-seeing plan of farm relief, one that looks ahead and builds for the future can neglect this matter of inland-waterway development.

In regard to steps being taken to enable northwest railroads to compete in rates with the Panama Canal. We believe that no one has expressed the handicap which came to the Northwest with the completion of the Panama canal and cheap ocean freights so well as did Herbert Hoover in a Chicago speech on March 10, 1926, in which he said:

"The Panama canal has drawn the Atlantic and the Pacific seaboard and their back country economically much closer. We can roughly visualize that if we set up a new measuring unit in the shape of the number of cents which it takes to carry a ton of staple goods at present rates. Using that measuring rod and taking in every case the cheapest route, we find that before the war New York was 1,904 cents away from San Francisco while now it is only 1,680 cents away. But Chicago, which was 2,610 cents away from the Pacific coast before the war, is to-day 2,946 cents away. In other words, Chicago has moved 336 cents away from the Pacific coast while New York has moved 224 cents closer to the Pacific coast. A similar calculation will show that in the same period as ocean rates remain about the same, Chicago has moved 594 cents away from the market of the Atlantic seaboard and South America. * * * This disturbance in relative rates affects agriculture even more deeply than industry. Our competitive agriculture lies to a large degree in Argentina, Australia and India. * * * Therefore foreign farmers reach European markets at a less cost in proportion to pre-war than can mid-West American farmers."

Now transportation is the lifeblood of enterprise—farming or industrial—and we must get at such essentials first. Two answers to this problem are in sight: First, development of waterways—Great Lakes and Mississippi; second, permission to our railroads to compete with the canal route for traffic west. Many of our Northwest people do not know that the railroads are forbidden to make lower rates in this competition. The Interstate Commerce Commission declares that it lacks power to allow the railroads to compete, and Congress has refused to the present time to give it such power.

The inequalities existing at present are almost past the belief of those who have not studied them. For instance, if Minnesota products, farm or manufactured, are to be shipped west to coast or inland States, it is cheaper to send

them to New York or New Orleans, there to be loaded on boats, sent through the Panama Canal, up to the west coast, and then shipped inland by rail, than to ship them directly west many hundreds less miles to the desired point.

If our railroads could haul more goods west they could bring goods back at cheaper rates. Empty cars going west are a charge on loaded cars coming back.

Obviously the Northwest can gain by any modification of this order against competing with the Panama Canal. The Northwest could afford to pay the Government the interest on the Panama Canal bonds for release from this man-made freight-rate handicap piled on top of our geographical handicap. It has taken dollars of value from every acre of ground between Ohio and central Montana. Correction of this inequality and discrimination would be one step leading to the promotion of Northwest prosperity, and agriculture, the chief industry of the Northwest, would be the first to feel its benefits.

Retention of the flexible feature of the Fordney-McCumber Tariff Act, a vital need to prevent maladjustment between acts of Congress and rapidly changing world conditions.

This suggestion will mean much in dollars and cents to agriculture. We ask its retention because an effort is being made to wipe out the feature in the present tariff law. The Executive has the power under this provision of the law to increase a tariff schedule up to 50 per cent upon the advice of the Tariff Commission. Powerful interests, not considering its effect on agriculture, are demanding its elimination from the law. Any plan of farm relief having in view a general agricultural policy for the future must demand, we believe, the retention of this tariff feature.

H. N. Owen, editor of *Farmstead*, Stock and Home, has made a study of the benefits to Northwest farming that have accrued in dollars and cents during just the time President Coolidge has made use of it in boosting the tariff on farm products as changed conditions have shown to him that the schedules of the law were too low to protect the farm products properly:

Gain, butter prices.....	\$12, 000, 000
Gain, wheat prices.....	46, 000, 000

No Congress can forecast what conditions are going to be and enact duties which will nicely take these conditions into account. There must be a safety valve. The opposition to the flexible feature comes from free traders and from corporation baiters who are ignorant of basic conditions. Unless tariff rates can be made to respond quickly at times our farmers will be at the mercy of foreign-production conditions, ocean-freight rates, money-exchange rates, and dumping devices of other governments. A practical way to help farming is to give the President the power to protect agriculture from sudden and unexpected competition from foreign countries and not force agriculture to wait the slow-moving Congress, which even after it gets started usually takes months and months to change a tariff law.

Amendment of the tariff laws to provide for revival of the potato-starch industry in Minnesota and in other potato-growing States. A higher tariff on flax and on any other farm products that can be produced in our country and which have foreign competition in the home market.

The present tariff on potato starch is only 1.75 cents, with the result that heavy imports from Germany have closed a large number of small starch factories scattered over our State. Such factories provide a much-needed market for cull potatoes, and this in turn encourages more careful grading and better prices for the grades sold. A protective tariff on starch would immediately help the potato farmer.

Potatoes should also have a larger demand in our other chemical industries. Germany has made great progress in the use of the potato as raw material. Potatoes yield more carbohydrates to the acre than any other crop. Why should be use them only on the table? Proper tariffs, adjusted to keep out imports the raw material for which can be supplied from potatoes, would open a new market for potatoes which in practically all years would take the surplus off the market and give the farmer a good price for his crop. We suggest the wisdom of encouraging industries, through tariffs or otherwise, that can use potatoes as raw material. A direct tariff on potatoes will in most years be of little value because of the unusual character of potatoes as a crop, but a tariff to protect industries that can use the potato as raw material will indirectly accomplish the same thing. This proposal to aid the potato grower is simple, easily and quickly put into effect, requires no expense or Government supervision, and it is practical.

Flax is an important cash crop for which adequate protection is vital. It has become more important since scientists have overcome the wilt problem, and Minnesota is the second largest grower. In 1927 Minnesota's acreage was 757,000 acres; North Dakota, 1,242,000; South Dakota, 594,000; Montana, 239,000—a total for the four States of 2,832,000 acres. Our import of flax seed in the same year represented the production of 3,615,000 acres. If every one of the 390,621 farms which, according to the last census were in the four States, were to grow 10 new acres of flax each, they could hardly make up the quantity now imported.

This simple method of substantially benefiting the flax farmer would bring cash assistance with the very first crop. The increased acreage of flax would bring its indirect results in cutting down the acreage of those other crops whose surplusses cause worries.

Such tariffs on vegetable oils as will make corn oil and other vegetable oil production here pay and such as will end the advantages these foreign vegetable oils have as substitutes for our own animal and dairy fats.

Vegetable-oil imports are reducing the markets of American farms and reducing American farm prices in two serious ways.

First. We have native oils produced right on our own farms to take care of our needs except the tung oil brought in from Asia for varnish. Efforts are now being made to grow tung trees in Florida. These should be encouraged. We have cottonseed oil, corn oil, peanut oil, soy-bean oil, linseed oil, and the poorer animal fats. We have these either in great abundance or else could quickly supply them. Every pound of vegetable oils imported displaces the demand for a pound of these home-grown products. That is, they cut down the market of American farms. Our new uses and demands for such oils should be reflected on American farms. Instead, however, the boom has been in Manchuria, the Philippine Islands, the West Indies, etc. Here is where a readjustment of the tariff easily arranged, quickly possible, will bring new cash markets to American farms and do it without waiting for the slow process of establishing new Government departments with huge appropriations and large additions to the Government pay rolls.

Second. Our industries have learned how to work this imported foreign material over into substitutes for animal and dairy fats produced on American farms, and thus this development in industry cuts deeply into the American market for American farm produced raw materials. For instance, in 1927 coconut oil to the amount of 107,653,888 pounds went into the making of oleomargarine. A proper tariff on coconut oil would tend to keep out this product which competes so directly with American farms and encourage our industries to use American farm produced raw materials instead. The total import of coconut oil in 1927 was 293,370,000 pounds. The total import of palm oil was 159,911,000 pounds. These oils are used chiefly in making oleomargarine and soap. Every one of this enormous number of pounds replaced butter, lard, tallow, and our own farm-produced oils. Here is terrific competition for American farm produced raw materials and it is a competition which could be quickly adjusted through a proper tariff. The elimination of such foreign competition would benefit agriculture in all parts of our country, South and North, as well as the Central States and the West.

A better dairy tariff schedule designed to put other dairy products on a basis equivalent to that of butter and to protect milk and its by-products, such as cream and milk powders and casein, against foreign competition.

The tariff on other dairy products, such as milk, cream, and cheese, was not adjusted upwards when the President raised the butter tariff from 8 to 12 cents in 1924. The result is that cream and milk can come in at less cost than does butter, which is made from them.

The adequate protection of by-products is of great importance in Minnesota, because the wide fluctuations in consumption of milk from day to day are relieved by turning the surplus into these by-products. For instance, on some days the Twin City Milk Producers' Association has to send as much as 50 per cent of milk it has available to its by-product plants. Thus a heavy import of casein, for example, has a serious effect on the price of milk. Many local Minnesota creameries have worked into milk by-products. Here, again,

a simple adjustment of the tariff will directly aid the farmer in getting better and more dependable prices for his products.

There should be no competing meat and poultry imports, and the various animal by-products should be so protected that their prices will help to sustain the farm prices for the whole animal. In this connection we suggest consideration of a bonus on exports of animal products, to the end that the livestock industry be stimulated, thereby becoming a factor in consuming a surplus of grain and in the process keeping fertility on American farms instead of shipping it abroad, as would be the case if grain exports are stimulated instead of livestock products. We suggest, however, that in case of grain-surplus emergency provision for an export grain bonus be considered, but with suitable penalties for continued overproduction.

This suggestion is largely self-explanatory. We presume there is no dispute over the contention that the American farmer should have the American market, and have it free of foreign competition. The tariff should be so adjusted that there be substantially no importation of meat and poultry products or of other food products that can be raised or produced on American farms. We believe that in all practical ways the livestock and poultry industry should be protected and encouraged. The animal itself as a whole should be protected. By-products from the animal should therefore have protection, so as to encourage their manufacture or preparation here. If animal or poultry by-products are imported, the price on the animal as grown on the American farm is affected.

As to the suggestion to stimulate the livestock industry as a means of cutting down a grain surplus, we believe the suggestion is practical and that if adopted as a matter of general policy it will mean much to America as the years pass. For instance, there is seldom a surplus of wheat that exceeds 200,000,000 bushels from any one crop. It might not be practical to try and feed it all, but it would be easier to get rid of a surplus of beef than a surplus of wheat. Hence the suggestion for a bonus on livestock exports to stimulate the livestock industry. More livestock to eat more grain would be a factor in reducing a grain surplus and in the process fertility would be kept on American farms instead of being shipped to Europe as would be the case if grain exports alone were to be stimulated. A nation can rise no higher than the quality of its soil; that is, and stay risen. Hence the vital importance to the future of America that as a general policy we feed our grain to American animals on American farms. Any system which proposes an agricultural policy for our country that overlooks or ignores this is merely laying up trouble for the sons and grandsons of present-day farmers.

It would not take much stimulation of the livestock industry to consume every pound of surplus grain raised or that we could raise. We have only to visit the dairy sections to learn what a feed shortage there is as the industry develops. Practically all dairymen are feed buyers and every dairy agency is busy urging them to buy and feed still more. More hogs and beef cattle would soon have the grain farmer hustling to supply the demand. Increased acreage to flax and sugar beets induced by proper tariffs would also help cut down wheat and grain acreage and hasten the approach of the time when we could produce no surplus of grain, such would be the home demand. There is good basis for the prophecy that a properly stimulated livestock industry would so consume the grain production that the wheat and grain area would be unable to supply the demand with the consequent ultimate suggestion of foreign imports to meet the demands of farmers themselves.

The suggestion of a grain export bonus in emergency is what is implied—a device for emergency use only. We do not believe in stimulating the export of grain as a matter of national and regular policy. It is better to try and prevent a surplus of grain than to arrange to regularly handle a surplus. However, in emergency and to provide an immediate present relief to the grain sections, we suggest the export bonus. We also suggest protecting the use of this device by providing suitable penalties for "continued" overproduction. Any system which protects price without guarding against overproduction will fall of its own weight as it is put into operation.

There should be a sugar policy, perhaps one of gradual increase in protection over a series of years, with the end in view that the continental United States shall be practically self-sufficient in sugar. Public security as well as farm welfare demands such a policy.

Sugar consumed here in 1927 came from the following sources:

	Tons
Our own beet and cane sugars.....	941, 000
Our island possessions.....	1, 588, 981
Imported, chiefly from Cuba.....	3, 714, 054
	6, 244, 035
Reexported.....	415, 865
Net imports.....	5, 829, 170

The first group of imports, those from the Philippines, Hawaii, Porto Rico, come in free, although these territories have oriental or other cheap labor and corporation farming. The huge import from Cuba, a land of free immigration, tropic soil, no income taxes, etc., pays 20 per cent less than our published tariff rate of 2.20½ cents a pound, or 1.76½ cents.

Perhaps it is overbold to declare at this time that the American sugar market should belong to the American farmer, but no State in the Union has a greater stake in such a declaration than has Minnesota. Soil and climate experts have found our State well suited to beets, largely due to our lakes and consequent moist or heavy dew, cool nights. The State already has two sugar plants, each requiring about 10,000 acres and an investment of some \$2,000,000. There could be many more if those already here had better returns.

Removal of the 20 per cent discount to Cuba would make possible \$1.15 cents a ton more for beets than our farmers receive now. If, in addition, only 1 cent was added to the duty, \$2.60 more per ton could be paid for the beets, or a total increase to farmers of \$3.75 a ton, about 50 per cent more than the 1928 contract price.

Sugar beets fit well into livestock farming, weed reduction, and soil improvement, and every new acre devoted to them would reduce the now troublesome surpluses. It would take about 16,180,000 acres of good plow land to produce the sugar now imported.

This is more than the total acreage devoted to corn and barley in the four States of Minnesota, North and South Dakota, and Montana.

The wheat acreage in these four States in 1927 was 18,573,000 acres, which gives another comparison to bring home the amount of farm acreage lost by this sugar import.

The potato industry would be greatly benefited through the development of the sugar-beet industry. Many acres devoted to potatoes could with much more profit be devoted to raising sugar beets if the tariff cut out sugar imports and made sugar-beet growing profitable. The reduced potato acreage would be the factor that would solve the potato growers' problem.

It should be better realized that the vested interests in sugar are the great coast refineries handling imported sugars and the corporations drawing dividends from sugar lands, sugar mills, and cheap labor in Cuba and our island possessions. Wall Street sugar interests are opposed to encouraging American sugar and they hide behind propaganda for consumers.

A moderate adjustment of the sugar duty and of imports from our island possessions would bring a sugar boom to Minnesota—millions of new property added to our tax rolls, thousands of acres better used and employment for the time of thousands of people.

Executive actions on tariff rates should be made acts of Congress so that in the future the Executive may be free to render further aid under the flexible clause.

Butter will serve to illustrate the value of this plank. President Coolidge gave butter producers all the increase the tariff law allowed him to give in 1924; that is, 50 per cent. He raised it from 8 to 12 cents a pound. He can do no more no matter how heavy imports may be. But if Congress will make the rate of 12 cents its own act, then the Executive will again be free to make any needed increase up to 18 cents. The wheat protection is in a similar position. The Executive has gone the limit, and we will be at the mercy of any new factors making for imports here.

Farm-product protection should be accompanied by such compensating duties for products manufactured therefrom that no such industry should suffer in the home market.

When compensating duties are not allowed on industrial products made from protected farm commodities, the farm protection is made ineffective. For example, if we have a tariff on wool and none on woolen goods, the wool comes in free in the form of such goods. If we let linseed oil come in, the tariff on flax is spoiled. A low duty or no duty on dried eggs reduces the protection on eggs. No feeling against industries should lead farmers to disregard agricultural imports in the form of manufactured goods. There is a great deal of such hidden farm imports at the present time. Furthermore, it is to the farmer's advantage to have industrial activity here rather than in foreign lands.

Provision for two lines of research to be projected at once under congressional authority: The one to discover means of replacing imported farm products with native products so far as possible; the other to survey the possibilities of drawing increased raw materials for our industries from American farms.

This is really a very important suggestion. We need congressional research because no private person on the farm or close to farmers has either the time or the means to do what the situation requires.

Our Government has already done much along this line, but Germany is the outstanding example of how new markets for raw materials can be found through research conducted by the government. It is not always necessary to find a foreign market for a home produced raw material in order to use the raw material. Research, chemical and otherwise, has a wonderful record of success to its credit in finding out how to use new raw materials in industry. Then a tariff to protect that industry builds it up and the industry itself provides the market for the farm produced raw material. This is an illustration of how the tariff indirectly can aid a farm-grown product when a direct tariff on the product itself would be of small value.

A duty on molasses, for instance, can be made to give substantial protection to corn. If Cuban molasses is kept out through a tariff, our manufacturers could turn to corn as the raw material for making syrup. Thus while a tariff on corn itself would probably do but little good, a tariff against an import for which corn can be made to furnish the raw material will indirectly accomplish the same thing.

Roger Babson has told us how Germany is using a government research department to find markets for surplus farm products. In a recent statement he says:

"It now appears likely that the same scientific forces operating to broaden the market for coal and to give new hope for the future of that industry will likewise operate to bring agriculture back onto a profitable economical basis. I refer to the new scientific research that is being done to utilize waste products of the farms and to find new uses for grain, cotton, corn, and other staple farm products. As the result of research, chemical engineers are of the opinion that we are annually wasting \$1,000,000,000 worth of valuable products in the form of corn cobs and cornstalks. Chemistry has discovered more than 300 uses for these. A good grade of paper can be manufactured from cornstalks. Other products that can be made are papier-mâché, wall board, substitutes for building lumber, rayon, acetic acid, electrical and heating insulation, ethyl alcohol, starch, glucose, and other valuable chemicals. All these can be made from cornstalks and cobs after the farmer has husked and shelled the corn, and has let his cattle and hogs eat what they will. Progress in this direction is still in the experimental stage, but enough has been accomplished to show the wonderful new markets that can be opened for raw materials produced on farms."

Chemistry has discovered new uses for sugar cane. It has been able to manufacture a substance called bagasse, and an industry doing a business running into the millions of dollars is now using bagasse to manufacture insulating board. This is a by-product made from sugar cane formerly wasted. Science and chemistry are doing the same thing for cotton, and wonderful new markets for cotton have been opened up in the manufacture of cellulose and other products. Here are a few uses for cotton unknown until recent years—its use in making dynamite, artificial silk stockings, bags to replace jute, canvas used in the building industry and cotton fabric in automobile tires. Without these new uses for the product, cotton would be a hopeless drug on the market. Science has found these markets and research properly supported by the Government will find other markets, not only for cotton but for many other farm

products. Chemists, plant breeders, economists, engineers, and soil scientists, if given proper support by the Government, can find markets for farm products which no activities of foreign commerce could bring about.

The United States Bureau of Chemistry and Soils finds that there are available on American farms 115,000,000 tons annually of cereal straw, 3,000,000 tons oat hulls, 18,000,000 tons corn stalks, 2,000,000 tons cottonseed hulls, 2,000,000 tons flax straw, 70,000 tons peanut hulls. This is a total of more than 140,000,000 tons of potentially useful agricultural waste, for which up to the present time very little use has been found. Not all of these products may be found valuable but so successful have been the advances in chemistry the past few years that we confidently believe the support properly of research will find ways and means of using this immense production, now waste, as a raw material. The possibilities thus in the way of larger incomes to American farmers are seemingly beyond comprehension.

Research as to what increased raw materials can be drawn from American farms has two general objectives:

(1) The progress made so far should be better assembled for the use of press and public men.

(2) If discussion on this field is general and widespread, developments are bound to occur more rapidly. Inventors, capital, and promoters will turn their attention to it if it is more prominently discussed. They did this in the case of airplanes, radios, and electricity, and they will do it along the line of finding new markets for farm-produced raw materials if attention is turned to it. There must be thought and discussion before great action can develop. There are, for instance, inventions now on the market which would add dollars to the value of every acre of grain raised if capital and management were available.

A congressional investigation would cause nation-wide comment. Hoover and his Cabinet would undoubtedly be mixing in it. And we can add a third objective—helping farmers to realize what modern chemistry, inventiveness, organization, abundant capital may mean to them. This line of research would be a great stimulator of optimism, and optimism itself is a creative agency.

Consideration of the problems arising from the fact that the Philippines, Hawaii, Porto Rico, and supervised countries such as Haiti, San Domingo, Nicaragua are and will continue to be agricultural countries, tending to compete unfairly with our continental farming. Development of our Inland Empire we suggest to be the wiser policy.

As pointed out in our remarks on sugar policy, Hawaii, Porto Rico, and the Philippines have free entry to our markets. Cuba has preferential rates. Their combined population is over 15,000,000, nearly all agricultural. The continental United States has 51,000,000 in towns under 2,500 and on farms with a strictly farm population of only 30,000,000. In addition to free or preferential entry, farm products from these colonies have the advantage of water transportation to our coast markets. The inevitable result is a fattening of the colonies at the expense of our farmers, a building of investments in the islands rather than in our farm sections.

Due to lack of proper regard for our farmers in this matter, these island territories have turned more and more to our farm competing products such as sugar, fruits, vegetables, tobacco, rather than to the noncompeting products such as rope fibers, tea, coffee, and rubber.

A further complication is the fact that our home farmers, operating their own farms, holding up their duties here as citizens, and helping to pay for the stability in these islands, are denied the right to obtain the kind of labor available to corporation farming at these other points under our flag, and yet our farmers are asked to match prices in our markets.

Consideration of immediate steps to shift government activity from reclamation of land to reforestation and grazing.

Up to June 30, 1922, the Federal Government had spent \$135,000,000 to get water to about four million acres of semi-arid and arid lands. This policy was entered into 26 years ago when a shortage of farm production was feared, and it is natural for a Government department to go on and on in spite of changed conditions. Not an acre of this reclaimed land has been actually needed. States having such land, of course, have a lively interest in reclamation, and can bring considerable pressure to bear on Congress.

The Reclamation Service has located about 30,000,000 acres of reclaimable and irrigable lands. One can not say that reclaiming this land in the future

might not be good national policy, but at present it increases our agricultural problems.

On the other hand reforestation withdraws cutover lands from farm entry, and any increase in cheap grazing on such lands and otherwise will enable our people to cut down the present huge imports of wools and reduce the cost of feeder cattle.

Hence this suggestion in the plan is a double-edged knife which cuts down the farm problem on each edge. Acted on, there would be no addition of farm land by reclamation. Forestation and grazing would withdraw land which otherwise our people are sure to try to put into plow land and dairying. Minnesota and Wisconsin have millions of acres of the latter type.

Thus by the simple process of shifting this Government activity, we can immensely aid in heading off those conditions calculated to assist in the creation of crop surpluses and at the same time we can open up new avenues of profit to farming. No new Government department will be necessary to effect this change, no appropriations will be required, and no new officeholders need be appointed.

Provision for continued efforts to reduce costs of farm production so that prices to consumers can be held down while at the same time careful farmers get fair returns, and also, that our export farm markets may be held so far as possible. Along this line there should be increased support of farm schools and colleges, county extension agents, boys' and girls' club work, and all those other agencies calculated to improve business management of the farms.

The present-day farmer not only recognizes that cost cutting is a means of better farm returns for those who can accomplish them, but that the consuming public of America is entitled to the results of efficient farm production. It is generally recognized that fair consumer prices widen the market and produce a stability not obtainable through artificial restriction.

Hence any wise national farm policy must embrace liberal allowance for aid in cost reduction. Plant and animal diseases and parasites must be fought. Better types of plants and animals developed; we must know more of fertilizers, crop rotations, market types needed. There must be adequate provision for wide and rapid diffusion of farm knowledge so that the farmer may have at his command services similar to what corporations secure by hiring technical experts. Farm schools, agricultural colleges, county agents, boys' and girls' clubs and associations for advancement of farm technique must be liberally supported.

While there is general admission that our farm exports are unsatisfactory with serious unfavorable factors, we must none the less fight to retain this export outlet with every means at our command. Lower costs of production through rebuilding of fertility, weed control, improved machinery, labor-saving methods will have favorable bearing on our bid for foreign markets. It ought to be generally recognized that a decreasing yield per acre is a major factor in farm distress because it increases the cost per unit while the price does not correspondingly increase.

We must produce more cheaply if we are to have any chance with our farm products in foreign markets. Butter can be produced more cheaply through grading up of herds, culling out poor producing cows, and the general policy of developing that condition where one cow produces what two cows formerly produced. This in conjunction with a program of raising on the farm the necessary feeds for balanced rations combine to materially reduce butter-production costs. There is an immense field for increasing net profits in this kind of effort, and anything which contributes to assisting in these farm-cost reductions should be still further encouraged and supported by the Government. We mention butter in particular simply as an illustration. The same purpose should be carried into the production of hogs, poultry, sheep, and all farm products, including grain. Wise systems of seed selection, crop rotation, soil building, contribute materially to increasing grain yields per acre and thus cutting down net cost of production. Important agencies aiding in this development are agricultural schools, county extension agents, boys' and girls' club organizations, etc.

Creation of a Federal farm board with wide powers to assist and advise, but without power to determine prices or to make sumptuary rules. Such board to be established at once.

We think it will be agreed without opposition that to more properly carry out agricultural policies, study new ones, and be on the job generally, that the establishment of a Federal farm board clothed with the necessary powers is desirable. This board could be a new department in the already established Department of Agriculture or the Secretary of Agriculture could be charged specifically with the establishment of such office and departmental machinery as will insure that the general plans to advance agriculture are put into operation speedily, smoothly, and efficiently.

We believe it against good public policy to establish more new boards or departments than necessary, and so in the creation of any new machinery to initiate or put new farm plans or policies into effect we suggest the wisdom of using the present Department of Agriculture through the process of giving it new authorities and power, as well as charging it with new duties. We also regard it as against the public welfare and as not calculated to promote the ultimate solution of farm problems to give to this board or to any other agency power to fix prices.

Consideration in all such legislation that general credit policies be framed with relation to the length of turnovers in farm production and the need of steady or slightly ascending price levels.

The distress of the 1921 depression was greatly intensified for farmers by the fact that farm credit was suddenly contracted without regard to the length of time necessary for farm turnovers. Loans were called in 1920 on half-grown pigs and cattle, on grain still green in the fields, on unpulled sugar beets, and on potatoes in blossom.

Since that time great progress has been in improving our banking practices in these respects, but there is room for more improvement. The farm turnover must be understood to include the length of time needed not only to grow the crop but to market it, and in marketing the crop there should be kept in mind the principle now recognized by law and by sound business practice that farm products should be eased onto the market rather than dumped.

In this connection we believe it vital that those who are charged with applying the rules of banking practice, whether they be with the Government banks or private corporations, must be conversant with farming and loyal to it.

Being the industry with the longest turnover, agriculture is the least able to meet a declining price level with a restricted production until such time as the market yields the cost of production. Hence farming will gain most from those policies which tend to general price stability or to slight inflation. Such progress toward stability will result in better farm production planning whereas now farmers tend to jump from product to product in the hope of finding what will pay.

One of the major reasons why we appeal for adequate farm relief protection is that thereby farmers in their turnovers will have conditions in this country to deal with instead of the world-wide vagaries of labor cost, climate, money fluctuations, transportation charges, and dumping policies.

Provision for continued support and aid in the development of cooperative marketing as a means of increasing the net returns to farmer producers and at the same time reducing the cost of food to the consumers.

The principal of cooperative marketing is, we believe, accepted. We believe that the continued development of cooperative marketing offers the best agency to solve most farm marketing problems. We do not believe it will solve all farm marketing problems because in some cases farm product marketing is now done on so small a margin that savings to be effected would not be sufficient to make the cooperative marketing venture a success. However, with many products, cooperative marketing is sound and practical and in the continued development of the system is the way for the farmer to get larger net returns for what he produces. The system also has possibilities of reducing prices to consumers through establishment of more direct routes from the producer to the consumer. The development of cooperative marketing also makes the farmer a better business man. He comes to understand what the market demands are. This teaches and impresses the great value of "quality" in production. This in turn leads to the introduction of better and better methods back on the farm. When the farmer deals with his consumer, either directly himself or through his own cooperative organization, instead of coming in contact only with the buyer or dealer, there is developed within him a sense of "salesmanship," which works powerfully to cause him to work and study and plan to produce back on the farm the kind of products that can be sold.

Recognition of the growing need of large supplies of cheap fertilizer if American farms are to produce at low costs and acceptance of the idea that aid in securing such supply is to be a part of our national farm policy.

We need concentration on a fertilizer policy. Previous generations have mined our soil from the Atlantic to the West, moving on to new soil as the old declined in yield. There is no more frontier and the land now worn down must be restored. The problem exists to-day in our most fertile sections as well as in those less fertile by nature. Potash, phosphates, nitrogen, animal husbandry, paying crop rotations are means wherewith to struggle back to fertility. No land either north or south has withstood more than 30 years of cropping without replacement.

We as a people are concerned. We spend immense sums for river and harbor improvement, furnishing water for irrigation purposes and even the reclamation of otherwise waste lands. It is equally in the interest of the public welfare for the Government to recognize as a matter of national policy the need of cheap and easily obtained fertilizer. A nation can rise no higher than its soil—and stay risen.

IN GENERAL

These suggestions we believe are calculated to give immediate aid to agriculture in general, at the same time laying the foundation broad and deep for a national agricultural policy.

We trust a study of the suggestions will impress how easy and simple it is to start a program of farm relief, a program that will be immediately effective.

It is not necessary to wait and agree on some complicated plan or system. It is not necessary to demand huge appropriations or create elaborate new Government boards. There are no particular salaries connected with the carrying out of these suggestions. At the same time we wish to point out that the adoption of these suggestions, either in whole or in part, will not interfere with the consideration of any other plan.

The adoption of some or all of these suggestions could be accomplished, we believe, without controversy. If brought properly before Congress and if backed by sentiment, it might be possible to adopt most of them without delay.

Mr. ADKINS. Mr. Lee, the question has repeatedly come before the committee of the farmers not getting the benefit of the tariff on wheat.

The original tariff act provided a 28-cent duty on wheat. If people are not satisfied with any particular schedule, their representatives may go before the Tariff Commission and try to convince the commission that they ought to have the rate increased by a proclamation of the President, under the flexible clause. Evidently the wheat farmers thought that the tariff would do them some good, because they convinced the Tariff Commission to recommend to the President a 50 per cent raise. The President acquiesced and raised it to 42 cents a bushel. There must have been some pretty strong arguments presented in order to get that raise. They must have thought there was some merit in it.

Mr. LEE. Of course there has been a great deal of debate on the merits of that tariff. Personally I do not think the 42-cent tariff brings 42 cents worth of benefit. But I do think the figures will show that for the kind of wheat we raise in the Northwest, spring wheat, the tariff is effective at least to the extent of about 25 cents.

We do not suggest that the tariff on wheat be increased. But we think that if we can keep out some products that are now imported, such as flax, and devote some of that acreage to that production, we will cut down the surplus and thereby the tariff will begin to operate by giving to the farmers the American market.

Mr. ADKINS. Another matter has been brought out here this morning: That is, advocating that the newspapers take up and give

more publicity to farm activities. That rather surprises me. I do not know what the custom is with the newspaper men in your country, but if you go down to my office to-day you will find two dailies from Decatur that have one whole page devoted to agriculture. They have one man on their staff who travels around over the country. They feature every day something about agriculture. For instance, a day or two ago they had the picture of a man by the name of Hayes, a young tenant farmer, who has started in and built up a herd of fifty dairy cattle. They ran a picture of two of his cows—twin cows—and told how he runs his place. They will take up the activities of a beef-cattle farmer and write that up, tell the farmers what is actually happening.

Sometimes they publish half a column or a column from the county agents. The newspapers in my district have been doing that for years. I do not know how much more space you would want to devote to that in a daily newspaper in a little city of 60,000 than an entire page. But I am surprised to hear that we are advocating and urging that when I supposed that all our daily papers were doing that, and the weekly papers as well.

Mr. LEE. All our papers are doing that now up in our country. I am not the one that advocated that. Somebody brought that up around the table.

Mr. ADKINS. I say it was brought up here around the table. But I was surprised to know that we needed to stimulate that activity when the press, recognizing the conditions of the country, at least in my part of the country, are doing their full share toward getting all available information and printing it.

Mr. LEE. Of course, the ordinary newspaper editor is not a farm expert. He must depend upon these county agents and other experts for his information.

Mr. ADKINS. They are about as good experts as the county agent is in that particular field. So I was rather surprised at that feature of it.

I want to ask you one more question, and then I am through. You spoke about the wide spread between the farm and the consumer. Do you know of any place between the farm and the consumer—that is, the man who consumes the raw products, like wheat, corn, cattle, and hogs—where the cost can be reduced in getting your commodities such as wheat, corn, livestock from the farm into the hands of the processor? Do you know of any means whereby that cost can be reduced? Of course, after the processor gets hold of it, all these other things are done, so that there is a large expense. I am talking about getting the product from the farm to the consumer. Do you know of any way how that cost can be reduced?

Mr. LEE. We are doing that very successfully with our cooperatives in our country. Take, for instance, the case of butter. The Land o' Lakes Association, which handled \$40,000,000 worth of butter last year, does do that, in connection with the spread between what the farmer gets and what the consumer pays.

Mr. ADKINS. That is the point. Are we not getting it there at less cost than any other country in the world?

Mr. LEE. We are on some products.

Mr. ADKINS. Will you name one where that is not the case?

Mr. LEE. We are not getting it on wheat. The farmer gets 90 cents a bushel for wheat, and the fellow in town pays 15 cents for a loaf of bread.

Mr. ADKINS. I am not talking about the price after the processor gets it. I stated that after the processor gets it he makes all these various commodities out of it, and that is where your service begins, for which you pay. I am speaking about the farmer's function in distribution, getting it from the farm to the consumer, or from the farm to the processor. Are we getting it as cheaply as possible?

Mr. LEE. We are now, where the cooperative proposition carries it beyond the processor.

Mr. HOPE. Mr. Lee, speaking on the line of what the country newspapers are doing toward disseminating farm information, I think the newspapers in my State and my district are doing very fine work along that line, particularly the small daily newspapers.

But I have noticed this in connection with the newspapers, particularly in the smaller towns; that while they print a good deal of information which is sent out by the State agricultural colleges, and I presume some sent out by the Department of Agriculture, that it is presented in a rather unattractive form. I do not know whether it is plate matter or not, but it is not such as would ordinarily attract the attention it ought to do.

Do you not think some improvement can be had along that line?

Mr. LEE. Of course, it is up to the editor to take the matter he gets from these central agencies and adapt it to the needs of his readers, and rewrite it if necessary. I think that is being done to a large extent with all of the rural newspapers.

Mr. HOPE. I think some of them that I am familiar with do not do that. I agree with what you say, that it would be better if they would rewrite it and put some local interest and local color in it and possibly make it more adaptable to their particular section.

But do you not think it would be better if the agricultural colleges and the Department of Agriculture would put out their material in a little better form from the news standpoint? Ought they not to have some trained journalists there who would send out some stories that you could put headlines on?

Mr. LEE. Yes.

Mr. HOPE. You think that would be a help?

Mr. LEE. Without question.

Mr. HOPE. Now, coming back to the question of diversification, I agree with you, as far as the individual farmer is concerned, that diversification is a fine thing. But do you not think there is some danger of overdoing diversification as a national policy?

Mr. LEE. Yes; I do. Diversification means so many different things. In our country it means dairying and hogs and poultry. In North Dakota it would mean raising less wheat and a little more flax, and possibly some sugar beets. It means adapting the farm to the demands of the market; and if that is done, diversification has little chance to overflow the market or to cause certain lines to overflow the market.

Diversification means the opposite of the 1-crop farm idea. Anything would be better than that.

Mr. HOPE. Yes; I think that is true. Do you not think, however, if we are going to preach the doctrine of diversification as a partial

solution of the national farm problem, we will have to have some sort of coordinating agency which will reach all sections of the country and make information available which will be national in scope?

Mr. LEE. In a way; but I believe that would automatically settle itself. The farmer would not produce things for which there was not a market.

Mr. HOPE. Potatoes have been talked about a great deal. Has not one reason for the surplus of potatoes in the last two years been that the farmers have been urged to grow potatoes on the theory of diversifying a little more, and they have taken that advice a little too seriously?

Mr. LEE. Oh, I would say not, in the case of potatoes.

Mr. HOPE. You do not think that is the reason for it?

Mr. LEE. No; potatoes are a peculiar crop. You can not tell 10 days before the crop is harvested whether you are going to have a little crop or a big crop. It has happened that we have had some very large crops.

Mr. HOPE. There has been an increase in acreage in that connection, has there not?

Mr. LEE. Yes; I think so.

Mr. HOPE. Do you not think a combination of increased acreage and the increase in yield caused this unusual condition?

Mr. LEE. Yes. The Government board in its crop gathering statistics facilities would be a great aid in that connection, and that would be a very fine service to render. It would be practical.

Mr. HOPE. You spoke about increased efficiency in farming. How far and how fast do you think we ought to go along that line?

I have this in mind: Our problem is overproduction; I think everybody agrees on that. Is there any danger of increasing our efficiency so fast in the production of crops that we are going to increase rather than decrease this problem of overproduction?

Mr. LEE. No; I do not think so, because efficiency means producing the same product at less expense. It does not necessarily mean increasing the output, but it means producing a better article for less money. We have farmers who produce butter at 50 cents a pound. But there might be a farmer just across the road, using more efficient methods, who will produce it at 20 cents a pound. That is a question of better methods. I believe if you will make the farmer a better farmer that will be a big factor in helping to automatically settle these problems. Such a farmer will be more intelligent and we would all have a better grasp of the situation. Efficiency does not mean increased production, but it means producing the products for less money.

Mr. HOPE. That is partly true, but the most practical way of decreasing production costs per unit on ordinary crops, is by increasing production, is it not?

Mr. LEE. I did not hear you, Mr. Hope.

Mr. HOPE. I agree with what you said in part. But as a matter of fact, the most practical way of decreasing production cost is by producing an increased yield; is not that true?

Mr. LEE. That is true, particularly in the case of manufacturing, but not so much in farming.

Mr. HOPE. Take the case of the 20-cent butter you spoke about. That is because of the fact that the cows, which that man has, give more milk with a large percentage of butter fat content than the cows of the man whose butter costs 50 cents. That is because they give milk with a larger content of butter fat, is it not, and to that extent there is an increase in production?

Mr. LEE. If he can get 10 cows to produce what 20 cows used to produce, and produce the same output at less expense, he will thereby increase his net profit. If that condition goes on, he will automatically do it himself, because he would see the wisdom of it.

Of course, there is a danger of overproduction, but whether that is a greater danger than the increased population of the country will take care of, is something to be considered. I do not believe it is a serious question.

Mr. HOPE. I agree with you generally on that proposition, and I wanted to see what your view might be on the question.

What I had in mind particularly was this: In recent years it seems to me we have given too much attention, perhaps, to production, to efficient methods of production, and too little to marketing methods, or the distribution of this production after we have produced it. Do you not think there has been an overtendency along that line?

Mr. LEE. Possibly there should be a combination between the two. There is so much more money for the farmer in better production, with better marketing, that that is the real reason why better production has been advocated. Where a farmer can make 20 cents a pound on butter, whereas with a better market he would make a quarter of a cent or a half of a cent, or a cent a pound, your can see why it is said that the farmer's prosperity is in improved methods of production rather than marketing. But both of them must go together; they need them both.

Mr. BRIGHAM. I saw a statement last night which I assume to be true because of its author, that since 1900 more than 5,000,000 acres of land had been reclaimed by irrigation. What is your opinion as to the extent to which this has resulted in our surplus at the present time?

Mr. LEE. I think undoubtedly it has contributed to that surplus. The trouble is we are producing too much. If we did not produce as much as we are producing, if we produced less and less, if we could reduce it enough, there would be no surplus. It is a serious thing to bring more acres into cultivation when the problem is to find a market for what is being produced. That is why we suggest that it is a common-sense proposition to quit reclaiming these waste lands until we need them.

Mr. BRIGHAM. But when their production is needed you would resume that program?

Mr. LEE. Certainly.

Mr. BRIGHAM. You grow sugar beets in the Northwest, in Minnesota and North Dakota, do you not?

Mr. LEE. Yes, sir.

Mr. BRIGHAM. How much tariff, in your opinion, would be necessary on sugar to permit the extension of that industry and thus take a lot of land out of the growing of wheat and other crops, devoting it to the growing of sugar beets?

Mr. LEE. We do not undertake to say, because we are not experts along that line. We leave that to the tariff experts.

But we do say this, our statements necessarily being general: That if you will create a market, the products will be produced; and if we can take some of the acreage now devoted to wheat in surplus and put it into sugar beets, it will not only benefit the sugar beet men, but you will automatically cut down the surplus, and when you do that you will benefit all of agriculture. As to the amount of the tariff, I do not know.

Mr. BRIGHAM. Doctor Coulter gave it as his opinion yesterday that six-tenths of a cent a pound would result in making it profitable to produce sugar beets in your section of the country.

Mr. LEE. As far as that is concerned, we simply state that it ought to be sufficient to encourage the industry. What that is we do not undertake to say. We do not know.

Mr. BRIGHAM. Personally, I should be very glad to pay that much more for my sugar if it would result in your devoting a lot of acreage to the growing of that crop.

The CHAIRMAN. I understood you to say your plan is to eliminate the surplus through the adjustment of the tariff.

Mr. LEE. Yes, sir.

The CHAIRMAN. You believe that would accomplish the desired result?

Mr. LEE. I believe in time it would automatically adjust the surplus problem.

The CHAIRMAN. We have had the tariff for about 142 years, but we have not solved the problem.

Mr. LEE. The fact that we imported two and a half billion dollars worth of products in 1927 indicates that we have not gotten very far in giving the American farmer the American market.

The CHAIRMAN. You agree with practically every one who has appeared before the committee, that the price obtained for the surplus establishes the price for the whole crop?

Mr. LEE. Yes; I think that is correct.

The CHAIRMAN. Tell us how you would cure this by adjusting the tariff.

I take it you are particularly interested in wheat and wheat growers. As a result of the present situation the large exportable surplus of wheat the wheat growers of Minnesota and every other State in the Union sell in competition with a product that is produced by people who live under a lower standard of living than we do and produce at a much lower cost. We have had this situation for half a century. How would you overcome that?

Mr. LEE. We would do it, so far as the surplus is concerned, in this way: If we have a tariff on some of the imports, and take some of the acres that are involved in this surplus and put that land to the production of these imported crops, that would automatically reduce the surplus. It would take 3,600,000 acres to produce the amount of flax that was imported in 1927. Most of the wheat land is adapted to the production of flax.

The CHAIRMAN. I think we are all aware of the fact that a crop of flax can only be grown once on the same land in six or seven years.

Mr. LEE. If the flax is followed by a clover crop, it can be planted every other year with success.

The CHAIRMAN. As far as adjusting production is concerned, I think that was given up many years ago. That is certainly beyond the control of Congress, and the producer.

Are you then in favor of making the tariff effective?

Mr. LEE. Yes, sir.

The CHAIRMAN. How could you make it effective except through balanced production?

Mr. LEE. Well, now, it seems to me that if we take the situation as it exists, where we are importing these products that could be produced on American farms, after we have subtracted the rubber and tea and the coffee and other products that would not be produced here, I understand there is two and a quarter billion dollars worth of those products that can be produced here, and it ought not to be a hard thing to make a tariff.

The CHAIRMAN. Leaving out the "ifs." We have tried to balance production, and I believe 90 per cent of the American people are agreed that we can not accomplish it except through some very drastic measures.

You might limit the acreage, but there is some doubt about the power of Congress to limit acreage. We know the unpopularity of that during the war, and I do not think the farmers would stand for any such proposition as that.

If you tell the farmers that they have to limit their acreage, and tell them that they have to reduce it a certain amount, I do not think they would stand for that. Have you any other plan?

Mr. LEE. No.

The CHAIRMAN. I do not think they would take orders as to the number of acres to be planted.

Our soil in Iowa is particularly adapted to the growing of corn, and the soil of North Dakota is adapted to the growing of flax and wheat, and the soil of Minnesota is adapted to the growing of wheat. It would not do to tell the people in North Dakota to plant corn.

Mr. LEE. I do not understand, and I did not mean to give the impression that we are going to tell the farmers what to raise. But if we can create a market for the product, the farmer will be glad to raise it, and we can create a market by putting up the tariff on something we are now importing which we can produce here at home.

The CHAIRMAN. Now, then, we have been talking about balanced production, diversified farming, for at least 50 years, and we are exactly where we started.

You stated that what is needed is immediate relief. So why put it off for another 50 years by trying something that has been tried for 50 years and which has failed? Why not go to the bat and give them the full benefit of the tariff, just as the farmers of your State and every other State have been contending for without exception?

Now we are told they are backing down. They were interested in making the tariff effective, but now for trying out some plan which it is known will not succeed.

Mr. LEE. I do not understand that that is a statement of the sentiment of the Northwest.

The CHAIRMAN. I am stating the fact. I infer from your statement that they have changed their minds, that they are satisfied to go on with some experiment that has been tried out and has accomplished absolutely nothing. We have had the cow doctors and we

have had the tariff doctors and we have had the experts from the department, and as you say they have done good work, but yet without results.

Mr. LEE. The mere fact that we have imported these immense quantities of products indicates that we have tried out the tariff.

The CHAIRMAN. I understood you to say that you thought the party platform pledges should be redeemed.

Mr. LEE. Yes, certainly.

The CHAIRMAN. For your benefit, let me quote from the Republican platform. The Republican platform of 1928 said:

The Republican Party pledges itself to the development and enactment of measures which will place the agricultural interests of America on a basis of economic equality with other industries to insure its prosperity and success.

Are you for that?

Mr. LEE. Yes, sir.

The CHAIRMAN. The 1924 Democratic Party platform provides for the establishment of an export corporation or commission in order that the exportable surplus may not establish the price on the whole crop.

Now, let us quote Mr. Hoover.

Mr. ASWELL. What does equality mean?

The CHAIRMAN. We will get to that after a while. Here is what Mr. Hoover said:

The domestic market must be protected. Foreign products raised under lower standards of living are to-day competing in our home markets. I would use my office and influence to give the farmers the full benefit of our historic tariff policy.

That is what Mr. Hoover said in his speech of acceptance. Are you for that?

Mr. LEE. Yes, sir.

The CHAIRMAN. He would give them the benefit of the tariff, and I think 99 per cent of the people will agree that your plan will not make the tariff effective on wheat. We have tried to establish that proposition, as I have said, for 50 years, and you are not receiving one cent of benefit of the tariff, except in the case of high-protein wheat. That is the testimony before the committee. We have no surplus of the high-protein wheat, and therefore you get the benefit of that sometimes, with the tariff at 42 cents a bushel. Montana last year got the benefit of the tariff, and Minnesota got a small percentage of it.

Let us go a little further. Mr. Hoover also said in his speech of acceptance:

The first step is to create an effective agency directly for these purposes and to give it authority and resources. These are solemn pledges and they will be fulfilled by the Republican Party. It is a definite plan of relief. It needs only the detailed elaboration of legislation and appropriations to put it into force.

Further on he stated:

Objection has been made that this program as laid down by the party platform may require that several millions of dollars of capital be advanced by the Federal Government without obligation upon the individual farmer. With that objection, I have little patience.

Mr. Hoover calls attention to the party platform pledges, to the creation of a Federal farm board of representative farmers—

to be clothed with authority and resources with which not only to still further aid farmers' cooperatives and pools and to assist generally to build up with Federal finance farmer-owned and farmer-controlled stabilization corporations which will protect the farmer from the depressions and demoralization of seasonal gluts and periodical surpluses.

What is the use of discussing that any further? Are you for the farmer? Are you for making the tariff effective?

If you have a plan that would work out, I shall be pleased if you would indicate how it would work out. Tell me how you are going to make the tariff effective.

Mr. LEE. I think I have done that, Mr. Haugen, and I believe the plan I have outlined will completely redeem the party pledges.

The CHAIRMAN. And make the tariff effective, give the producers the benefit of the tariff?

Mr. LEE. This has been talked about in the Northwest for a long time, and I am satisfied that Northwest sentiment is strictly of the opinion that if we will just put up the tariff sufficiently to keep out all these imports we will automatically reduce these surpluses and do it easily and quickly without any great amount of Government supervision.

The CHAIRMAN. Naturally, I accept the statements of the farmers themselves and their representatives who appear before the committee, and what you suggest is to the contrary, I fear.

You have suggested a new plan, much different from anything the farmers have suggested heretofore. If you have a plan that would work out and bring about the same results, of course, one is just as good as the other, just so we get the relief.

Mr. LEE. My testimony here is that the sentiment of the Northwest is that a tariff such as I have outlined can be made effective, and that that will be a redemption of the party pledges.

The CHAIRMAN. I have several communications from farm organizations, farm leaders, and others, the writers of which have rather reluctantly agreed to that plan.

Mr. LEE. Who are some of these farm organizations that you mention and some of these farm leaders?

The CHAIRMAN. They are the people sent here by the farmers.

Mr. LEE. What are some of their names?

The CHAIRMAN. There is Mr. Murphy.

Mr. LEE. Mr. Murphy is a practicing lawyer and he does not farm an acre of land and never did in his life.

The CHAIRMAN. Well, he was hired by the farmers to represent them.

Mr. LEE. We thrashed this out in Minnesota very carefully with Mr. Murphy campaigning the State from one end to the other, and he was absolutely repudiated.

The CHAIRMAN. I am speaking of what their representatives have stated to the committee. I can state that that is what the farmers have stated to me, and I have met a good many farmers of your State. I live only a few miles from the line and I come in contact with them nearly every day when at home.

Mr. LEE. Can you name some of those farmers?

The CHAIRMAN. Oh, well, yes; I could give you the names, if necessary, if you question my statement.

Mr. LEE. Of course I do not want to assume something.

The CHAIRMAN. What is the use of discussing the question. There is nothing new.

Mr. LEE. I represent 186 rural newspapers.

The CHAIRMAN. You are aware of what has been going on in your State.

Mr. LEE. Those are the largest rural newspapers in the three States, and I think that, while I can not say we represent the farmers, because we do not, I think I can speak their sentiments because we are in close touch with them all the time. They are the men with whom we deal. I am satisfied that what I have stated here to-day correctly represents the Northwest farm sentiment.

The CHAIRMAN. I accept your statement, of course.

The CHAIRMAN. Mr. Chaney, we will hear you now. Will you give the reporter your full name and state whom you represent?

STATEMENT OF A. U. CHANEY, GENERAL MANAGER AMERICAN CRANBERRY EXCHANGE

Mr. CHANEY. Mr. Chairman, my name is A. U. Chaney; I am general manager of the American Cranberry Exchange.

The American Cranberry Exchange is a cooperative marketing organization, a central organization for three State subsidiary organizations, covering Massachusetts, New Jersey, and Wisconsin. We have just passed through our twenty-second year of the cooperative marketing organization without any change in officers or in management.

Mr. Chairman, I appear before you primarily in the interest of cooperative marketing. The American Cranberry Exchange as such has no particular claims. They are only fearful that legislation that is pending might result in adverse influences and have an adverse effect on the cooperative marketing field.

The American Cranberry Exchange as a group of growers solicit any aid that might be helpful in an economic distribution of their product, but it would resist and object to any control in its management or its distribution or its policy.

We are primarily interested in your discussion of crop surpluses tied up with cooperative marketing. We believe that an attempt to control the surplus and thus interfere with the economic law of supply and demand is exceedingly dangerous. We believe that it is very likely that any attempt to interfere with the natural flow of supply and demand will result in less prices to the producers without improving the situation.

The purpose of the proposed board or stabilization corporation, as I understand it, is to stabilize the market to the end of improving prices, or to returning to the farmer a profit on what he produces. It must either increase the price or it must decrease the price.

If the result of that attempt to control the surplus would result in a profit we believe it would result in a rapidly increased state of production and a rapidly increasing surplus, and that it would grow up like a big snowball.

From year to year the surplus would be carried over and added to each crop surplus, thereby causing disaster in the end.

If the stabilization board has the power to control the price and to direct the marketing, recognizing there is a surplus, and attempts to keep the price down by doing acts or things that would move the

whole crop on the basis of the law of supply and demand, it might result in much lower prices than the cost of production and a great deal of dissatisfaction with the board and indicate to Congress more dissatisfaction than you have to contend with now.

We believe that no single act of legislation can be immediately effective, and that any single act you might pass might be much more dangerous than if you did nothing. We believe that such legislation as may be passed should come under various committees for consideration. We believe that if stabilization corporations should be set up—and it is my understanding that both parties are pledged to that principle—then the stabilization corporations should be controlled by the cooperatives, for the reason that the cooperatives are the representatives of the producers, and they must be guided by those whose interests they are primarily representing. Stabilization corporations would be created for the purpose of improving the conditions on the farms, and we have not the interest of the consumer but the interest of the producer in our eyes in providing such legislation as that, as I see it. It is the cooperatives, who represent themselves as producers, that must have the controlling voice. I believe that a board, if it is created, should be appointed with broad powers, but that it should not have power to appoint its own advisory council. It would be quite superfluous for us to appoint a board with power to act and then to appoint its own voice to agree with it. We believe that each commodity should select its own advisory council through a committee, and that it should have its voice, representing that commodity, in bringing up matters that the commodity is interested in with the board.

We hear a good bit about clearing houses. Clearing houses are supposed to be a sort of combination arrangement between the cooperative organizations and private shippers, and it may be in the minds of some of you that the board could support and regulate them. Now, it has been my observation and experience that the interests of private companies and the interests of cooperative marketing associations are directly opposed. Every attempt that has been made to coordinate their work with that of clearing-house organizations has met with failure. They have created an adverse condition or have made the conditions worse in each instance that I know of than had they not existed. The private shipper is interested in the profit that he makes on his own operations in distributing the commodity. He is either a buyer or he handles it on commission, but in either case he is working for a profit for himself, while the cooperative organization is working for itself as a producer. They can not under the law make a profit as an organization, but they are acting for themselves as producers and are interested in getting the most they can for their products. The private shipper is interested when buying in getting the product as cheap as he can, and when he is selling he is interested in selling the product as high as he can.

I believe that a great deal can be done by a long-time method of adjusting various laws. First, I believe that such a readjustment of the tariff law as is practicable and workable, and that would be beneficial to the producers, should be made. Naturally I presume that you have a committee or commission, with proper students of economics, to study the problem of providing such adjustments of the law and

of imposing a tariff on farm commodities that require it and taking it off of things that the farmer has to buy, which would be in the interest of the producers. Such a readjustment of the tariff as will directly help the producer in the way of reducing the cost of the goods he buys and increasing the cost of the things that he sells, I think, should be given very serious consideration and be made effective.

I think that no public funds should be used in any part of the country for enlarging or extending drainage or irrigation projects or for the creation of any new irrigation or drainage projects until the existing farm production is on a profitable basis.

I believe that there should be a revision of the rural-credits machinery. I think that is most effective in helping farm cooperatives, and I think that the intermediate-credit banks should be separated from the farm loan board. Those banks should be put either under the farm board that it is proposed to create, or under the Federal Reserve Board, or made a separate board by itself in the Treasury Department. The facilities of those banks should be extended and enlarged, so as to give ample financing for physical facilities, to take care of by-products, for the storage of farm commodities in local grain houses, and we believe that ample money should be made elastic for moving the crops and marketing the crops as they are handled by the cooperatives.

Now, the American Cranberry Exchange is handling perishable fruit. I am the chairman of the trade relations committee of the American Fruit & Vegetable Shippers' Association, a national organization composed of cooperatives, private shippers, growers, and so forth, throughout the country. In that capacity, I want to state that the most effective legislation, in the opinion of the producers of perishable commodities, such as apples, potatoes, and fruits and vegetables of all kinds, would be a licensing bill, as proposed in the Summers bill, introduced in the last Congress, and referred to this committee, the same being H. R. 16796.

Throughout this country more expression of desire for the passage of that bill has come, on that point, than for any other thing that has come up before the fruit and vegetable people. Perishable commodities offer an opportunity for abuses by the handlers of the commodities or by the distributors of the commodities. They offer opportunities of abuse in the buying of such commodities. Those who are engaged in the handling of such commodities for the farmer are in the position of bankers. It is a position of trust. The farmer trusts himself and his commodity, and trusts the handler to give him an honest report. The farmer is generally perfectly satisfied to take bad results if he knows they are honest results. The suspicion of dishonesty in the mind of a farmer is almost as bad as actual dishonesty. The suspicion of dishonesty operates as an adverse influence against the handler, and creates dissatisfaction among the producers. The suspicion of dishonesty makes the producer think only of the other fellow's faults, forgetting his own faults.

Now, we have done everything that we possibly could to improve the trade conditions for these commodities. We have worked on this matter for a number of years—in fact, ever since the close of the war. During the war, under the food administration, the perishable industry was under just such a licensing system. It operated very effectively, very beneficially, and with great economy to the industry. It

has done a lot of propaganda work and a lot of educational work. There has been a lot of discussion among the several national organizations of cooperatives, and the cooperatives have been coming to one mind on this subject. We have corresponded and discussed these matters with the representatives of shippers commodity organizations from almost every State in the Union. They are almost of one mind on this subject of control, and think that policy is a necessary one. This subject has been threshed out and agreed upon in conferences with the Department of Agriculture and in conferences with the representatives of shippers and producers throughout this land. It has been the subject of conferences with them and we have come to an absolute agreement. I do not believe that there would be any objection raised to-day to a thing that seems so necessary to that industry, representing so many of the farmers, and in which we ship now more than a million cars of products. In fact, we shipped 1,200,000 cars last year. That many cars of fruits and vegetables were transported by rail last year. It seems to me that your committee by reporting favorably on this bill, unamended, would give some genuine help to that element of producers that we have.

I think that concludes my talk, Mr. Chairman.

Mr. ASWELL. If this committee, or the Congress, should establish a Federal farm board to handle the agricultural products of the whole country, would you recommend that perishable products be included under that board?

Mr. CHANEY. I do not think that any commodity should be under the absolute control of the board. I think that such a board should be set up to act on those commodities, and only those commodities, that desired its aid. I do not think it should be within the power of the board to say that our cranberry growers should come under it, or that we would have to use the facilities it set up, if we did not want them.

Mr. ASWELL. That, probably, would not be the purpose; but would you want your commodity to be included within or excluded from this general legislation?

Mr. CHANEY. I do not know what the voice of the perishable industry would be on that point as a whole. I believe that there will be no practical method by which any perishable industry could be improved or helped by such a board, but it might develop that it would be. If it is so created that the citrus-fruit industry, for instance, might be helped, or if they should think they might be helped by this board, I would not want to debar them from that privilege, but if you are going to say that the board can command them to use such facilities, then I would say to please except the perishable industry from it.

Mr. KETCHAM. With reference to the set-up that is contemplated in connection with the farm-board organization, you referred to the so-called commodity council. Now, is it your judgment that the commodity council is a vital part of the plan that is set up or, would you provide that the cooperatives themselves should have a commanding position in their particular industries, and that they should function as commodity councils?

Mr. CHANEY. For instance, there has been a good deal of talk about wheat. If there is a considerable part of the wheat industry handled by cooperative marketing organizations, I think that those

cooperative marketing organizations should have a voice in appointing the committees to deal with the commodity, for the reason that they are the ones who directly represent the farmer in the selling of his product.

Mr. KETCHAM. But so far as the situation now is concerned, there would be an almost equal division as between the cooperatives handling wheat and the private independent marketing agencies that are handling wheat. In that case would you want equal representation for the independent marketing agencies with that of the cooperatives?

Mr. CHANEY. Again I can not agree with you.

Mr. KETCHAM. I am not stating that as a fact, but I am asking you if that is the thought in your mind.

Mr. CHANEY. No, sir. I think that the commodity marketing organizations are the ones that must represent the farmer and are the ones that should be encouraged. I say that because they are acting directly in the interest of the farmer. They can not be influenced by any considerations of private gain. For that reason I feel that the cooperatives are the ones that should be the council, if there are sufficient cooperative marketing organizations to have an influence on that commodity. I think that if they are not in accord, the board might invite them into conference, and that they might advise with the private shippers at any time it became necessary. However, I think that the organization created should be a cooperative organization.

Mr. KETCHAM. If I get your idea, under this set-up we are contemplating here, you think that every possible encouragement should be afforded by the Federal farm board—and that that should be the policy of the legislation itself—in the development of cooperatives to represent the commodities.

Mr. CHANEY. Yes, sir.

Mr. KETCHAM. To the end that they may realize every possible dollar out of the product.

Mr. CHANEY. They are interested in the long-run prosperity of the producers.

Mr. KETCHAM. I think you made it quite clear, but I would like to have the statement reinforced. As I understand it, you believe that any assistance to be given the cooperatives should be based upon action first taken by the cooperative itself, and that in no instance should it be handled from the top down, but always from the bottom up?

Mr. CHANEY. Yes, sir.

Mr. KETCHAM. And that the bill should be drawn with that very thing definitely in mind.

Mr. CHANEY. Yes, sir.

Mr. FULMER. About what percentage of the production of cranberries do you control through your association?

Mr. CHANEY. Sixty per cent.

Mr. FULMER. You have in the past controlled a larger proportion of that production, have you not?

Mr. CHANEY. No, sir; we have controlled as much as 64 per cent. We started with about 20 per cent.

Mr. FULMER. You have no trouble with speculators in connection with your product, or with exchanges such as we have in the case of cotton, wheat, and some other crops?

Mr. CHANEY. No, sir.

Mr. FULMER. Then, for that reason and inasmuch as you are really able to control 60 per cent of your crop, whether it be large or small, you are able to bring about a fair average price, regardless of production. In other words, when you have a small crop you can have an average high price, and then when you have a large crop you can feed it into the market so as to have it bring an average fair price.

Mr. CHANEY. Over a period of years; yes, sir. In the years when we have a surplus we immediately recognize that and sell it for what the crop will bring. We market it for whatever it will bring, regardless of the cost of production. In 1926, for instance, we sold the crop below what it cost to raise it. The whole crop was sold below the cost of production, and we started to sell it below the cost. We had a surplus, and we wanted to get rid of that surplus.

Mr. FULMER. You can, in the long run, handle that situation because you control 60 per cent of the production and you have no speculators or exchanges, future trading, to contend with in connection with the selling of your commodity.

Mr. CHANEY. We try to avoid the policy of selling to speculators, and we do not speculate ourselves. We never sell futures.

Mr. FULMER. You stated a while ago that Congress should not pass any legislation having in mind the controlling of the surplus, because it was your idea that it would simply have the effect of piling up a large surplus and would defeat the legislation.

Mr. CHANEY. Defeat the purposes of the law; yes, sir.

Mr. FULMER. You stated that you would let the law of supply and demand operate.

Mr. CHANEY. I think that aid could be given in that by education through the Department of Agriculture, the Bureau of Agricultural Economics, the Crop Estimate Bureau, and so forth. I think that aid could be given in that respect by educating the farmer, and advising him as to when there would probably be a surplus, and the effect that such a surplus would have. That would be done with the idea of educating the farmer with reference to improved methods in cooperative marketing and in the handling of his products, and teaching him to recognize the law of supply and demand.

Mr. FULMER. It is not your contention, of course, that by that means he would be able to control every surplus. For instance, in cotton, that would not bring about an advanced price.

Mr. CHANEY. I mean the long-run average price.

Mr. FULMER. I have not heard anyone suggest a scheme whereby we might be able to put a higher price on cotton by simply controlling the surplus. It will only bring about an average long-run fair price, and would eliminate the speculator.

Mr. CHANEY. I think it would not bring about an average fair price by reason of the fact that the surplus would hang over the market continually. For instance, say you have a surplus of 5,000,000 bales this year: I do not know how much you raise, but suppose there is a surplus of 5,000,000 bales, or that much more than can be

consumed this year, and you carried that over into the next year. Now, you say that by holding that surplus, you sustain the market, so that the farmer may realize a profit on his product. You can not say to the farmer that he can not plant the next year, and he will plant all the cotton he wants to plant. Now, he may profit this year, but he has that surplus carry-over of cotton. He continues to carry that, and you will have that surplus added to your next year's crop. How will you control that? As I have said, it will roll up like a snowball, and directly you will have more cotton than the world can absorb.

Mr. FULMER. As a matter of fact, the trouble with the cotton farmer to-day is that when the price of cotton goes down, as, for instance, in 1926, when it went as low as 6, 8, and 9 cents per pound, it passed out of the farmer's hands at the low dip into the hands of speculators, manufacturers, or exporters of cotton. Now, the next year we may have a short crop, and these buyers have the same cotton that the farmer put on the market at a low price the previous year and which they dispose of at an advanced price on the basis of a short crop for the current year. If you take the average for a period of 10 or 15 years, the farmer would receive a very much better price than he now receives at the time a large crop is marketed, because that large crop may be immediately followed by a short crop which would afford him a fair average price.

Mr. CHANEY. I recognize that argument as a sound one, but it does not work out in practice that way.

Mr. FULMER. I can show you from the Yearbooks of the Department of Agriculture that, taking it over a period of 5 or 10 years, if you could stabilize the market, the farmer in the long run would gain. He would gain on the long-run average price.

Mr. CHANEY. But where you carry a surplus over into next year, you have no guaranty that in the next year the crop will be short. You may get an increased acreage and an increased production.

Mr. FULMER. If they produce at a profit—

Mr. CHANEY (interposing). But they would not have a profit, and there would be a carry-over into the succeeding year.

Mr. FULMER. Not if the large crop hold-over is carried into the year in which there is a short crop by the buyers. The proposition is to allow the farmer to hold the surplus and take advantage of the average price, which would be a fair price, over a period of years.

Mr. CHANEY. The only way to restrain increased production is to penalize the farmer by having him sell below a profitable price when he raises too much, or there should be some other penalty method that will restrain production.

Mr. FULMER. When the price of cotton goes below the cost of production, if the farmer is in a position to store his cotton and hold it until the market is higher because of a short crop, he would receive the benefit that now goes to the speculator.

Mr. CHANEY. I do not think he could do that through an equalization-fee board, but if he functioned through a cooperative organization or had a cooperative organization to handle it, it might work.

Mr. FULMER. By doing that you would bring up the average price and the farmer would get the benefit the speculator now gets.

Mr. FORT. Mr. Chaney, you have been quite clear in your statement that the board ought to deal with commodities only at the

request of the commodities, or upon the request of an individual commodity, such as cranberries; for instance.

Mr. CHANEY. Yes, sir.

Mr. FORT. Can you see any instance in which a general program might be desirable or preferable in a given section or in the country as a whole as to all perishables, for example?

Mr. CHANEY. I do not. I think that everything is a commodity by itself. For instance, this year there was an abnormal production of apples and citrus fruits, both selling for a very low price, but that did not interfere with the sale of cranberries. The cranberry crop was such that we got the highest prices on record. Now, I would not want to be tied up with those other things.

Mr. FORT. For example, in the matter of facility loans for warehouses, or loans for refrigeration plants, are there not places and circumstances where that kind of loan would be desirable for a warehouse or refrigeration system for the use of all perishables, rather than simply to provide for facilities for one commodity by itself. The production of any one commodity by itself might not be great enough to warrant the construction of the facilities by a single cooperative association.

Mr. CHANEY. As I have said, one great help would come from enlarging the facilities of the intermediate credit banks, in order to finance facilities for distribution.

Mr. FORT. Let us take Florida, for instance, where they have a large citrus industry and fresh-vegetable industry. If they have a cooperative down there handling citrus fruits only and another cooperative handling fresh vegetables, would it not be possible for those cooperatives to join in the construction of warehouse and refrigeration plants, and would it not be more economical to do it in that way than if they went ahead and constructed facilities for each commodity by itself?

Mr. CHANEY. If the people thought so they could make a joint request for it. Through the aid of the intermediate credit banks, they could form a corporation to own and operate those plants for the strawberry men, the vegetable men, and the citrus-fruit men. They could form a corporation that would own and operate those facilities if they wanted to do so, or if they wanted to work in harmony. That would be done upon a mutual request.

Mr. FORT. Not under the present intermediate credit bank law.

Mr. CHANEY. No, sir; that is the reason I want the intermediate credit bank law changed.

Mr. FORT. I was also interested in another point. As to the advisory-council proposition, your view, apparently, is that the council, or whatever we may call it, ought to be purely representative of the commodity and not of the board.

Mr. CHANEY. It should be nominated and appointed by the commodities themselves.

Mr. FORT. It would be something like the stabilization committees which were set up to work with the Department of Commerce, but which were set up exclusively by the industries affected.

Mr. CHANEY. Yes, sir.

Mr. FORT. I can see the advantage of that. In that way there would be a control of the personnel, if it did not suit.

Mr. CHANEY. It would then be sure that the personnel would represent the commodity.

Mr. FORT. If it were appointed by the board for a fixed term, the commodity would lose control over its membership, if it did not work in the way the commodity wanted.

Mr. CHANEY. It might not represent the major commodity.

Mr. FORT. So you would prefer something in the nature of a commodity committee to the traditional form of an advisory council?

Mr. CHANEY. In other words, we want the people backing it to have full confidence in the organization, and unless they have that, they might not have full confidence that their interests were properly protected, and would not give it their moral support.

Mr. FORT. Mr. Chaney, the Summers bill, which you have so strongly supported, provides for the licensing of trade under the Department of Agriculture.

Mr. CHANEY. Yes, sir.

Mr. FORT. If we are going to set up a Federal farm board whose concern is primarily with the marketing as distinct from the production of agricultural products, should not that licensing authority rather be in the marketing organization than in the production organization?

Mr. CHANEY. We think that it ought to be under the Department of Agriculture, for the reason that the Department of Agriculture already has the confidence of the perishable industry. They have worked generally very closely with it. They have the market-news service; they have the Bureau of Agricultural Economics, which has been the servant of the perishable industry. They have confidence in their understanding of the needs and the economies, the difficulties and the problems. They have worked with us, and our people would be delighted generally to be under their supervision.

Mr. FORT. Of course, we are talking of a Federal farm board in the Department of Agriculture in all of our legislation, and not of a separate and distinct board; not like the Veterans' Bureau or anything of that sort.

Mr. CHANEY. That is true.

Mr. FORT. But what is moving in my mind is this: Our theory, as I take it, of all forms of legislation is that those functions that relate to marketing are primarily the functions of the farm board, and those functions that relate to production are primarily the functions of the present organization of the department. Should we or should we not confer upon this board the power, where in its judgment it is desirable or necessary, and where, as in the Summers bill case, it can produce an agreement in the trade, as to what the rule should be? Should we or should we not confer on them the licensing power, based on trade agreement?

Mr. CHANEY. I recognize your point; but the Department of Agriculture now has set up and in operation the shipping points and destination points of inspection, and they would have to use that inspection service in order to act competently in the enforcing of this law. They would also need the market-news service that they are operating. So, if you transferred this to the board, they would

simply have to work with the Department of Agriculture and get their advice on it anyway.

Mr. FORT. But they are in the department. They are not going to be outside. That is the point that I think you missed. You did not quite get the purport of my last question, which has come to me only from what you have said about the Summers bill. I am not mentally committed; I am trying to draw out your own ideas. You have found in your trade that licensing of certain actions and operations is desirable for the trade, and you have been able to produce a trade agreement with which the producers, the shippers, the transportation companies, and everybody else are satisfied, as I understand it.

Mr. CHANEY. The transportation companies have not been consulted about it.

Mr. FORT. But all other factors have been, have they not?

Mr. CHANEY. Yes, sir.

Mr. FORT. And you have reached the conclusion that licensing of certain operations in that trade ought to be undertaken in the interests of the trade generally; is not that it?

Mr. CHANEY. Yes, sir.

Mr. FORT. Now, should we or should we not confer upon somebody—whether it is the Department of Agriculture or the farm board or somebody else—the general power, where all the factors in the trade reach such a trade agreement, to go into licensing to the point that the trade agrees with it?

Mr. CHANEY. We ask on that point that it be under the supervision of the Department of Agriculture. Now, if the board is in the Department of Agriculture, it is up to the Department of Agriculture to place it in such division of the Department of Agriculture as seems wise. I am not ready to say that it should go into a particular board or any particular division. We are not asking that. We are asking that it be conferred on the Department of Agriculture. We would hesitate, until we know what the character of the board is, to say that it should be licensed under an independent board and not under the Department of Agriculture and under the supervision of the Secretary of Agriculture.

Mr. FORT. You are still on the question of where the power is to be lodged. I am trying to get away from that for the moment. Should somebody have a general power to install licensing in commodity trade?

Mr. CHANEY. The Secretary of Agriculture; yes, sir.

Mr. FORT. Somebody should have it?

Mr. CHANEY. The Secretary of Agriculture.

Mr. FORT. Wherever a trade agreement can be reached, I mean, not simply as your bill is limited to perishables, but should we insert in some kind of legislation a general power to the effect that where a trade agreement can be reached, licensing under that trade agreement could be installed by the board, or by the department, or by somebody, without coming back to Congress for further legislation?

Mr. CHANEY. Well, that might be good law. I do not know whether, in other commodities, the licensing system would work. We know it will work on perishables.

Mr. FORT. But I am prefacing a trade agreement.

Mr. CHANEY. But certainly a trade agreement should be lodged with some department—either the Department of Commerce, the Department of Agriculture, or an independent board—and I think that a latitude to be given and encouraged in all trades where trade agreements can be worked out would be beneficial, under the supervision and guidance of some department or board.

Mr. FORT. That is just what I was trying to get.

Mr. BRIGHAM. Mr. Chaney, does your organization attempt to control the productive capacity of your industry?

Mr. CHANEY. We try to encourage it all we can.

Mr. BRIGHAM. You try to encourage more planting?

Mr. CHANEY. We try to teach our people how to cope with the various pests, to the end of getting a better and more economical production. We work with the Bureau of Plant Industry of the Departments of Agriculture, both State and Federal, to that end.

Mr. BRIGHAM. But how about the planting of new acreage?

Mr. CHANEY. We do not make any effort to control that. We do not encourage it; we do not discourage it.

Mr. BRIGHAM. But if the industry should be greatly extended the control of the price would be out of your hands, even though you have to consider the percentage of the crop in your organization, would it not?

Mr. CHANEY. We endeavor, by cooperative methods, to keep the consumption in pace with the production, by trying continuously to broaden and increase our production; but we recognize the danger that is hanging over us all the time of a surplus, and when we have that surplus we deal with it at that time. We must get rid of it or dump it in that year, anyway.

Mr. BRIGHAM. In 1926 I note that your price was about one-half the price of 1927.

Mr. CHANEY. Yes, sir.

Mr. BRIGHAM. And the crop of 1926 was not profitable?

Mr. CHANEY. It was not profitable.

Mr. BRIGHAM. And if your industry should become extended so that you had a crop similar to that of 1926, even in a low-production year, then your industry would become unprofitable?

Mr. CHANEY. Yes, sir.

Mr. HOUSTON. Is there foreign importation of cranberries?

Mr. CHANEY. No, sir.

Mr. HOUSTON. So there is no problem of that kind?

Mr. CHANEY. No, sir.

The CHAIRMAN. I understood you to say that you would be in favor of extending the services under the Summers bill to others than those mentioned in the bill.

Mr. CHANEY. We have no objection to others, but we feel that this bill defines the perishables. The perishables are in trade agreement, and there is greater necessity for it.

The CHAIRMAN. But is there not also necessity in other industries?

Mr. CHANEY. We do not know that. That is up to the other industries to decide.

The CHAIRMAN. Thank you, Mr. Chaney.

The next witness is Mr. Zink.

STATEMENT OF JOHN D. ZINK, GENERAL MANAGER EASTERN STATES FARMERS' EXCHANGE, SPRINGFIELD, MASS., REPRESENTING ALSO THE COOPERATIVE GRANGE LEAGUE FEDERATION OF NEW YORK

Mr. ZINK. Mr. Chairman, my name is John D. Zink, general manager of the Eastern States Farmers' Exchange, Springfield, Mass. In connection with my remarks on financing I am also speaking for the Cooperative Grange League Federation of New York. The two organizations operate in 11 Eastern States, buying supplies to the extent of about \$25,000,000 a year for approximately fifty to sixty thousand farmers.

We are primarily interested, in both organizations, in helping the farmers to reduce their cost of production by getting them commodities which will produce more economically and also by cutting down the cost of distribution of those commodities to the farmers.

We operate our own plants and have our own mills, and so forth, to the extent of about \$2,000,000 in fixed assets at the present time.

In studying this problem of economical production we know that the proper buying of the right raw materials for the farmers to use is only one of the things that are necessary to secure it, and it leads into the consideration of other problems which are involved in the net return which the farmer gets for his product.

Therefore my remarks are based entirely upon experience in cooperative buying work and only upon observation in connection with cooperative marketing.

It is our opinion that no one bill will accomplish this thing which is popularly known as farm relief, but that instead there must be many things done in order to gradually improve the status of agriculture economically.

Some of those things that we believe should be done—speaking from our observation, at least in Massachusetts, where milk and eggs are very important commodities—are these:

That existing agencies or those to be established should be charged with the responsibility of ascertaining facts in connection with and setting in motion methods to accomplish the following functions:

First, land adaptation.

(a) Eliminate the cultivation of land which can not produce farm crops at a price which will bring a fair return to the producer at prices which the market will pay for those crops.

(b) The reforestation of such nonproductive or marginal land. That may sound like an impossible thing, but I think that it is entirely possible.

(c) The adaptation of farm land to crops best suited for it from the standpoint of, first, the quantity demand of the markets which that land supplies, and, second, the quality demands of those markets.

We know in our own territory that there is much farm land producing crops which can not be marketed to the best advantage from the standpoint of quantity in that particular locality, and also particularly from the standpoint of the quantity demanded.

The second major point is crop adaptation.

By a process of education induce farmers to adapt their crops to their markets to accomplish the following objectives:

(a) Regulate anticipated production by the acreage planted according to the quantity of the commodity which the domestic or foreign markets will take at a price which will bring a fair return to the producer.

(b) Regulate quality of crops as far as possible to meet the demand of the market.

At the present time we have county agents in most of the counties in this country, who are doing excellent work, mostly from the standpoint of production. I do not know why it would not be feasible to have county economic agents who would give the farmers information about the economics pertaining to their crops as well as to the production of those crops. I do not believe that we can expect county agents to do that thing, because if one man spreads his activities over too many things he does not do any of them properly. Therefore, since economics is principally the problem of the farmer to-day, I am not so sure that we should not have specialists working in terms of economics with the farmer.

At the present time I believe there are thousands of farmers in the East who would like to have some advice as to how much acreage they should plant in potatoes this spring, and I do not know where they can get it, and I do not think they know, because such a survey has not been made, when we get down to individual cases. But it should be practical. We know that from the standpoint of selling fertilizer to farmers. We sell thousands of tons, and when a lot of it goes to farmers for potato production, many of them have expressed complete indecision as to the amount of fertilizer to buy, because they are entirely unguided in the amount of acreage that they ought to plant to potatoes this year, in view of the disastrous conditions last year.

The third major point, I think, should be a study of domestic and foreign markets for agricultural products; first, from the standpoint of estimating their demand, and, second, to advise the acreage to be planted to meet this demand.

I believe that both of those things are practical. That would not be done in a year, but it should be done in the course of many years.

The fourth point is on this question of land reclamation, which has been touched on before. We think, either in the case of land reclamation or irrigation, that the policy should be guided by the need for additional quantity or unsupplied quality of commodities which would be produced on reclaimed or irrigated land, and that it should lean toward a policy of not bringing into production additional farm land.

The fifth point is a point which might cause considerable controversy publicly. It has to do with the marginal producer. I mentioned a moment ago marginal land. This is the marginal producer. I would not call him a farmer, because in many instances he is not a farmer; but I think that quite a portion of our surplus of various crops in this country is caused by the marginal producer, who is producing these crops at a loss to himself and in many cases does not know it.

We could not legislate out of existence, of course, as an agricultural producer, this marginal producer; but tremendous things could be

done with farmers to-day by a process of education and by giving them facts. I think, furthermore, that there are thousands of farmers in our eastern States alone who would be perfectly willing to give up their farming operation to-day if they could get out of it. But they can not get out in many cases.

I think that it would be advisable, first, to have a study of what constitutes a marginal producer; second, to develop means of transferring the activity of the marginal producer from agricultural pursuits to occupations more gainful and useful to himself and to society.

That is probably idealistic, but if it could be accomplished, even in a small way, it would be helpful.

I question very much if the surplus after it is produced can be controlled to the benefit of the farmer. Perhaps it can be done. But if it can be done by stabilization corporations, as a means of alleviating this condition, they should not be permitted to compete with cooperative marketing organizations. Stabilization corporations should be established only at the request of and in cooperation with existing cooperative commodity associations, and preferably under control of such associations.

Another major point which I think is of tremendous importance to-day, and which we have noticed in our work, is better coordination of activities and functions of, and cooperation between, existing agencies and those to be created.

We have possibly three major groups of organizations functioning for the betterment of agriculture to-day: Our educational research, which is termed our extension service; our departments of agriculture and our colleges; and our cooperative marketing organizations and our cooperative buying organizations. Each is large in itself. I believe that there could be, to very good advantage to the farmer and to agriculture as a whole, more cooperation and coordination, providing that that cooperation were steered properly between these three major groups.

The last point is the revision of Federal rural credit machinery.

I believe there should be a separation of the 12 Federal intermediate credit banks from the 12 Federal land banks. There should be the creation of a Federal intermediate credit board, and separate boards at the land banks, with the provision that if desirable and necessary, from an economic point of view, the present machinery of the Federal Farm Loan Board could be used also to function for the intermediate credit board.

I have in mind there particularly the Springfield Bank, where the volume of the intermediate credit bank is about \$750,000 at the present time, and if it were necessary to have that handled by separate machinery, in the field and elsewhere, it would greatly increase the cost of administering the business.

In other cases the intermediate credit bank is more important than the land bank, so that discretion should be allowed in the local bank to determine whether the machinery should be used for both purposes or individually.

Third. The point brought out by the group of cooperatives, the committee of eight of which I am a member, the establishment of a \$300,000,000 revolving fund to be placed at the command of the Federal intermediate credit banks and to be loaned to cooperative

associations to enable them to acquire or erect various types of processing plants, warehouses, and other facilities necessary to their successful business operations. Loans under this revolving fund should be for a period of not to exceed 20 years, and should be repayable on the amortization plan, and should be allowed up to 80 per cent of the assets of the borrowing association.

At the present time the intermediate credit act does not provide for any financing of fixed assets to cooperative marketing or purchasing organizations, and the financing of such assets is just as important as the financing of the crop if it is to be handled properly.

Furthermore, the reduction of the minimum time limit on commodity loans which are now made by the Federal intermediate credit banks on the security of warehouse receipts from 6 months to 60 days.

I would respectfully suggest that provision be made for the naming of a committee on banking and finance to formulate and present to the special session of Congress a bill or an amendment to take care of this financing for cooperatives.

That is all I have to present, Mr. Chairman.

Mr. LARSEN. As I understood, you said that you would eliminate nonproductive land. What do you mean by eliminating it?

Mr. ZINK. Putting it into other than agricultural uses. One might be reforestation; in other words, eliminating it from agriculture.

Mr. LARSEN. Suppose I own nonproductive land and do not wish to go into that. Would the Federal Government buy up my land and put it in the forest?

Mr. ZINK. There is nobody to force you to do that.

Mr. LARSEN. What would you do about the problem, then?

Mr. ZINK. I think that you could be sold the idea if the facts were pointed out to you; that it was unprofitable for you to farm that land.

Mr. LARSEN. Suppose I should be, you would also have to arrange to finance me while the forest was growing. I simply have in mind the feasibility of your plan.

Mr. ZINK. That has also to do with the marginal producer.

Mr. LARSEN. Suppose you do not succeed in selling the idea to me?

Mr. ZINK. If we did not succeed in selling it to you nothing could be done to prevent you from doing it.

Mr. LARSEN. In other words, your idea is simply an educational scheme?

Mr. ZINK. Absolutely; and I think that a great deal can be accomplished for the farmers by educational methods.

Mr. LARSEN. Did you ever read that old poem:

There is more in the man than there is in the land.

Mr. ZINK. No, sir; I never read it.

Mr. LARSEN. Is it not true that many men who are real, first-class farmers take land that is not especially unproductive and really make quite a success in farming it, while other men, on productive land, make a failure of it? You realize that is true, do you not?

Mr. ZINK. Yes, sir.

Mr. LARSEN. It was not your idea, then, to have the Federal Government go into the market and purchase those nonproductive lands, was it?

Mr. ZINK. At the present time the States, and also the Federal Government, in order to protect the public health, are paying farmers for the elimination of diseased cows.

Mr. LARSEN. Just answer my question, please. Would you have the Government buy up these nonproductive lands?

Mr. ZINK. It might be just as feasible to have the Government invest in nonproductive agricultural lands.

Mr. LARSEN. Do you advocate that?

Mr. ZINK. I am not prepared to say that.

Mr. LARSEN. Well, you are proposing a plan, and therefore I want to know whether or not you advocate it. If you do advocate the plan, have you any idea how much the investment of the Federal Government would be to purchase the nonproductive lands that are now in cultivation in the United States?

Mr. ZINK. I prefaced my remarks by saying that I thought it would be desirable to make a study of these factors, and, if practicable, to set up the machinery to put that in effect.

Mr. LARSEN. If you are suggesting a study of it, you ought to have some idea in your own mind as to how much it would take to buy them up?

Mr. ZINK. I am not prepared to say that.

Mr. LARSEN. In the event it should be decided to buy them up, would you advocate the purchase in the various States and holding them free of taxation in those States, or would you permit the States to tax the land held by the Federal Government in those States after the purchases contemplated by your plan were made?

Mr. ZINK. All those questions having to do with the feasibility of such a thing I would have considered in this investigation.

Mr. LARSEN. You are not prepared to say that now?

Mr. ZINK. No, sir.

Mr. LARSEN. You suggested these plans, and I was just wondering whether you expected us to work out the scheme or whether you had one yourself. You realize that if you provided that the Federal Government should buy up all of the nonproductive land, and did not require the Federal Government to pay taxes in the States where the lands were located, you would heap an additional burden upon the producers in those States by making them support the State government and still lose this power of taxation, do you not?

Mr. ZINK. In all probability anything that will increase the prices of agricultural commodities is going to increase the price to the consumer, in one form or another.

Mr. LARSEN. But you are not answering my question. Suppose, for instance, you go down into Alabama and buy up 50 per cent of the lands and have them held by the Federal Government, and do not permit the State of Alabama to collect taxes on them. Don't you see that you would increase the enormous burden on the farmer in Alabama? You see that, do you not?

Mr. ZINK. Yes, sir. It would be a question of the relative increase; whether he would get more for his product by elimination of the marginal land.

Mr. LARSEN. Then you simply made this suggestion without special investigation of it yourself, and you are not prepared to say whether it is feasible?

Mr. ZINK. I am not; no. But there are experts in the Government who probably can.

Mr. FORT. Following Mr. Larsen's line of questioning, Mr. Zink, have you ever seen the plan that has been developed for inducing the farmers to set out wood lots as a combination of reforestation and reducing their utilization of unprofitable land?

Mr. ZINK. I have not seen the plan, Mr. Fort, but I think that a similar plan is in effect in New Hampshire, and I think it is partially successful up to the present time.

Mr. FORT. The States and the Federal Government jointly are now engaged in a large reforestation program, to which we are contributing some millions a year. That program has been heretofore operated solely from the forestry angle; that is, the planting of lands that previously have been in forest. Your suggestion might be coupled, might it not, with a utilization-of-land survey which would divert some of these appropriations into the purchase and reforestation of now marginal or submarginal agricultural land?

Mr. ZINK. It would.

Mr. FORT. Without any additional cost or any additional laws anywhere. It is a question of directing the appropriation.

You represent primarily, as I take it, in coming here, the purchasing cooperatives?

Mr. ZINK. That is right.

Mr. FORT. Your cooperative is not a combined producer and purchaser cooperative?

Mr. ZINK. No, sir.

Mr. FORT. Can you give us any suggestions, Mr. Zink, as to anything that we can do in our legislation that will assist the development of cooperative purchasing?

Mr. ZINK. The major thing that I think of would be this financial program which I mentioned.

Mr. FORT. You want to get shorter term credit; that is, 60-day credits instead of six months? That is part of it?

Mr. ZINK. That is part of it; yes, sir.

Mr. FORT. And you also want to have loans by the intermediate credit banks to buying cooperatives?

Mr. ZINK. Yes, sir.

Mr. FORT. What legislation do the intermediate credit banks lack now that affects the purchasing cooperative?

Mr. ZINK. The present intermediate credit act is built entirely around the needs of cooperative marketing, and there is even difficulty at the present time by the Federal Farm Loan Board in interpreting cooperative buying as an agricultural purpose, under the wording of the present act.

Mr. FORT. Assuming that it should prove impossible to get amendments to the intermediate credit act through at this session, do you think it would be of service to you if we made the loan fund which we are proposing to create under a Federal farm board available to cooperative purchasing as well as to cooperative marketing associations?

Mr. ZINK. If it were a question of tiding over a period, we would prefer to have our financing carried through the intermediate credit banks, as we are now doing, until such time as the functions of the

intermediate credit banks could be regulated by a separate Federal intermediate credit board.

Mr. FORT. I think you said there was some question as to whether they would loan you at all?

Mr. ZINK. There has been some question, but so far it has been answered favorably, and we have arrangements made.

Mr. FORT. That is what I did not get.

In our general program, however, of helping cooperative marketing would you like us to confer on some organization power to help purchasing cooperatives as well as power to help marketing cooperatives?

Mr. ZINK. Subject to the discretion of the cooperative purchasing organization, if it needed help.

Mr. FORT. So if we are going to do anything in that direction, you feel that it ought to be subject to the control of the purchasing cooperative?

Mr. ZINK. Yes, sir.

Mr. FORT. And not to voluntary action on the part of the board on its own motion?

Mr. ZINK. That is right.

Mr. FORT. You do not want us to do anything to you except something that you want us to do?

Mr. ZINK. We feel that we know our needs best, and we would prefer to ask for help if we need it and not have it thrust upon us.

Mr. FORT. In the case of cooperative purchasing groups, however, is there any unity of interest between those groups, or should we allow the board to deal with individual cooperatives if they come to it for help?

Mr. ZINK. It would be perfectly satisfactory to deal with them individually. There is a unity of interest, but it is not organic in any sense whatever.

Mr. FORT. It is not like the commodity groups that are marketing the same commodity?

Mr. ZINK. No.

Mr. FORT. Although you are to some extent buying the same things?

Mr. ZINK. In many instances the same things.

Mr. FORT. Might it be of any service to you if the board had power to assist you in setting up a central purchasing agency for all your commodities?

Mr. ZINK. I doubt it; because the purchasing problem for different localities varies a great deal.

Mr. FORT. Not a mandatory one, but one that would be of sufficient size to buy in real quantities.

Mr. ZINK. Such a thing might be very helpful.

Mr. MENGES. Mr. Zink, you say that you are representing a purchasing cooperative?

Mr. ZINK. Yes, sir.

Mr. MENGES. And you are engaged, I suppose, in the purchasing of fertilizer?

Mr. ZINK. Fertilizer, feed, and seed, principally.

Mr. MENGES. And machinery?

Mr. ZINK. No, sir.

Mr. MENGES. Why not?

Mr. ZINK. Because we have not been able to establish service agencies locally to take care of that important feature.

Mr. MENGES. Why have you not been able to do that?

Mr. ZINK. We have not gotten to that point in our organization yet.

Mr. MENGES. How long have you been organized?

Mr. ZINK. Ten years.

Mr. MENGES. Do you have a factory, or is your fertilizer manufactured for you?

Mr. ZINK. We manufacture fertilizer under contract with another manufacturer; but we have a feed plant where our feed is manufactured by us.

Mr. MENGES. Do you take the the entire output of the fertilizer factory?

Mr. ZINK. No, sir. Our volume is not large enough. We use the marginal production of several fertilizer plants.

Mr. MENGES. Do you do your own mixing of fertilizer sometimes?

Mr. ZINK. No, sir.

Mr. MENGES. Do you buy the ingredients and mix it?

Mr. ZINK. We have the privilege of buying the ingredients. We stipulate the formulas, and the fertilizer manufacturer sells us the service of mixing and shipping.

Mr. MENGES. Do you make any profit out of this?

Mr. ZINK. We are a cooperative organization and we return our profits and our dividends to our members on a patronage basis.

Mr. MENGES. How much lower can you buy from these fellows who are manufacturing fertilizer for you now than if you were to buy it from an agent?

Mr. ZINK. That is a very difficult question to answer in a blanket way, because it will vary in different commodities.

Mr. MENGES. I mean fertilizer.

Mr. ZINK. I mean different kinds of fertilizer will vary a lot. But I should say that it might amount to 10 per cent of the delivered cost of the fertilizer.

Mr. MENGES. That is all.

Mr. HOPE. How extensive is the cooperative buying movement throughout the country? I have heard of your organization and of the Indiana Farm Bureau organization. Are there others; other large associations?

Mr. ZINK. I mentioned the J. L. F. There is one in Maryland, a State organization. There is one in Michigan. There is one in Missouri. There is one in Ohio. I am not sure about Illinois. There is one in West Virginia. A number of the marketing organizations of the West are getting into cooperative buying. The citrus growers, for instance, buy cooperatively a large amount of materials used by their members. The Land O'Lakes creameries buy a lot of their supplies for their creameries.

The Department of Agriculture is the authority for the statement that last year approximately \$200,000,000 worth of supplies were purchased cooperatively for farmers to use.

Mr. HOPE. Is this movement a recent development?

Mr. ZINK. It is more recent than cooperative marketing.

Mr. HOPE. These large associations have all grown up in the past few years, since the time your organization was started?

Mr. ZINK. Ours is one of the oldest.

Mr. HOPE. That is all.

Mr. BRIGHAM. I believe you stated that the farmers in New England would like some advice as to how many potatoes to plant this coming year.

Mr. ZINK. We have had that information.

Mr. BRIGHAM. I wondered if you are familiar with the work being done by the Bureau of Agricultural Economics in that line?

Mr. ZINK. Some of it.

Mr. BRIGHAM. I happen to have here a statement issued by the New England Crop Reporting Service, as of March 26, 1929, which is headed, Farmers intend to plant only 11 per cent less potatoes.

This statement was prepared as a result of a canvass of several thousand farmers throughout the country as to their intentions to plant, on March 1. As a result of that, this statement is made:

This situation combined with normal yields in 1929 is likely to cause 1929 potato-crop prices to average somewhat lower in the Eastern States than those of 1927.

Then, there is a statement as to the crop of 1927 and of other years.

Just how much farther do you think the Government should go than to give this information to the farmers as to the situation?

Mr. ZINK. In the first place I doubt if that gets to very many individual farmers.

In fact, there are many of them who could not interpret that in terms of his own acreage, as to what he ought to plant to meet the need or the demand for next year. In other words, I think there should be an interpretative local economic service that could advise the farmer in his program, if the farmer will accept it, just as the county agent advises the farmer now in his cultural methods for those farmers who will accept it.

Mr. BRIGHAM. That would be with a view to avoiding a large surplus like we have at present?

Mr. ZINK. Yes.

Mr. BRIGHAM. That is all.

The CHAIRMAN. I understood you to say that you buy the ingredients and then contract for the processing.

Mr. ZINK. On fertilizer.

The CHAIRMAN. Are you able to obtain your fertilizer at a lower cost than otherwise, in that way?

Mr. ZINK. Our economies are not effected so much in the price we pay for the raw materials, because those are largely standard. The economies that we effect are in reducing the cost of distribution, getting them to the farmers; also in inducing the farmers to use better fertilizer.

The CHAIRMAN. Taking everything into consideration, you are the gainer?

Mr. ZINK. There is no question about it.

The CHAIRMAN. To what extent?

Mr. ZINK. I mentioned a moment ago 10 per cent of the delivered cost of the material.

The CHAIRMAN. That is all. We are very much obliged to you.

The committee will stand in recess until 1.30.

(Whereupon the committee took a recess until 1.30 p. m.)

AFTER RECESS

The committee resumed pursuant to the taking of the recess, at 1.30 o'clock p. m., Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. The committee will kindly come to order. We have the honor and pleasure of having with us the Secretary of Agriculture this afternoon. Secretary Hyde, we shall be pleased to hear you.

STATEMENT OF HON. ARTHUR M. HYDE, SECRETARY OF AGRICULTURE

Secretary HYDE. Mr. Chairman and gentlemen, I have a statement of what I would like to present.

The necessity for farm relief is no longer debatable. The discussions of that point upon every platform in the country during the last eight years have unified public opinion to a complete conviction of its necessity. The fact is frankly recognized that agriculture is not in the position of equality of other pursuits. This fact presents its own challenge to all of us that we do all we can, sanely and constructively, to reestablish for agriculture an equality of opportunity and open the way to the same standards of living that we are enjoying in industry.

I wish to state that in discussing the subject I am speaking for myself alone. I have not within less than a month had the opportunity to consider the problem in detail and I shall not attempt to present any detailed piece of legislation. You gentlemen are very much more fitted for that task than I. I have long been interested in the ends to be accomplished by relief rather than by the legislative method. While I make no pretense of being an expert, I do claim the same earnestness of purpose which dominates your body in its quest for solution of this vexing problem.

It was entirely natural, and to be expected that there should be differences over that specific measure around which the great political and forensic battle has for eight years been raging. Stimulated by that battle certain principles were developed. They were largely settled by the recent election. The broad principles were set out in the party platforms submitted to the people. We have their verdict, a verdict which operates as a mandate to all of us, and which serves to chart our course for the present. The ideas laid down by the platform were positive and constructive. Broadly they proposed to attack the problem in three directions.

First, the revision of the tariff for better and greater protection of American agriculture. That subject is being dealt with elsewhere.

Second, reduction of transportation costs by development of inland waterways and highways. The advancement of this likewise lies in another quarter.

Third, the assistance of the Federal Government in reorganization of marketing systems through which the farmer may obtain a more economical and more stable outlet to the consumer. There are some other fields of assistance to agriculture which I shall mention, which also bear upon the problem.

In assisting reorganization of the marketing system we have all of us conceived the creation of a great instrumentality which we have

called the Federal farm board, with advisory committees, which should be given authority and resources with which to deal with this third category of the problems. And it is not one problem. It is several hundred problems. Many of these problems are unknown to us to-day and will only be developed by experience. The scores of different agricultural commodities, the different localities of their origin, the different markets which they penetrate, their method and means of shipment, processing, and distribution, all point to the fact that we must find an agency to which each and all of the problems can be properly presented, considered, and upon which real and positive assistance can be given in solution.

We have to bear in mind that in their solution we are to a large extent blazing new trails, making our own experience as we go. And it therefore has appeared to me that as we can not foresee in advance the circumstances under which the powers of the board are to be called into action, any attempt to write out too detailed legislative directions would probably serve only to defeat the purpose of the board. That is the heart of the plan and the rest are details.

We can perhaps get at the question of the sort of authority required if we consider the character of some of the problems and the means at hand for the administration of the remedies. I may enumerate some of these problems, that is, some of the directions in which constructive assistance should be given.

Our farm cooperatives are in need of capital with which to acquire further facilities and to expand their activities. The agricultural industry is in need of finance in supplement to the established financial institutions by which they will be enabled to hold their commodities until they themselves can place them in the market and not be forced to sell immediately upon completion of production.

Capital is needed with which to purchase a portion of the occasional surplus or seasonal surplus and assure its orderly distribution over longer periods. The progress of many commodities from the producer to the consumer is most disorderly and wasteful; and especially in perishables, the terminal markets are flooded in on week and starved in the next. The result is undue fluctuation in the price and waste of the commodity itself. An enormous amount of unnecessary transportation takes place in the cross hauling of commodities in search of immediate market. There is great hardship upon the consumer, for with some perishables, the price is almost doubled after the arrival of these commodities in terminal markets because of inadequate and wasteful terminal distribution. There are a minority of dealers and shippers of farm commodities, particularly in the perishables, whose business practices are unfair—a great hardship upon the producer. There is entirely an inadequate grading and standardizing of certain commodities, with the result of uncertainty in prices and opportunity for advantage to be taken over the producer and for speculation against the consumer. There is an inadequate development of processing for disposal of occasional surpluses of many commodities into by-products.

There are, in fact, great wastes in the whole chain of distribution which are a tax on both the producer and the consumer. Our warehouse acts need amendment in order to facilitate more perfect action in the establishment of credit. We have need for some agency to pass upon the inauguration of further irrigation and reclamation

projects so as to prevent increased production until such production is required for national purposes. We have need for a larger study and for action in the determination of better use of marginal lands and their devotion to either forestry or pasturage. We have need for a better understanding of the national requirements of each commodity from season to season, and more active instruction of the farmers as to the volume of production required. We have need for a more exhaustive and accurate study of the different problems and wastes in distribution and the determination of their solution. We have need of a larger cooperation between the producers and distributors for the elimination of waste and more orderly marketing of products. When you consider that these needs and these difficulties arise, not in one commodity, but in scores of different commodities, and that the economic setting of each of these requirements and these problems is different, it is easy to realize the necessity of creating a broad authority rather than detailed plans.

When we come to the question of agencies that the farm board should rely upon in the solution of these questions, we have at hand the large growth and the great experience of our cooperative marketing associations. They have already been organized by the farmers, they are farmer-controlled and farmer-owned. And in speaking of them I am not confining myself to the cooperative organizations as defined by the Capper-Volstead Act but I include the farmer-owned elevators, the clearing houses, the farmer pools, they are all in essence farmer cooperatives. Such organizations have pioneered the way under great difficulties, have educated a large group of farmers in the problems of marketing, developed sense and stability in organization and management. We should take no action which would tend to supplant them or undermine their growth. It is largely upon these organizations that we should build the foundations of the collective action of the farmer. And such action will be the more consonant with American life. We want to build up the farmers themselves to control their products, not to build up bureaucracy.

It would seem to me desirable that the board, armed with resources and authority, could best work out these problems by receiving proposals from the various farmers' marketing associations. These proposals in many instances, particularly in handling stabilization questions or handling of facilities can well take the form of corporations created by these associations and owned and managed by them, and aided with capital from the board, under such restrictions as the board should be authorized to apply. Of these restrictions it would seem to me desirable to insist that no operations should be supported which would stimulate increased production, because by adding to a surplus we would defeat all relief.

Let me repeat that there is little in the way of accumulated experience to guide the board. It must make its own history and guide each succeeding step it takes by the experience gained from the last. The mere enumeration of a few questions it must face is sufficient to show that there are many others that can not be foreseen. All of which argues, to my mind, that if we are to create an instrumentality to which distressed agriculture can take its problems, that instrumentality must be clothed with broad and general authority.

Mr. PURNELL. I must say for myself, Mr. Secretary, I think you have in a few minutes suggested a very intelligent and comprehensive program for the rehabilitation of agriculture.

Secretary HYDE. I thank you, sir.

Mr. PURNELL. I think you have outlined what will ultimately be written into not one but more than one farm bill. I take it from your statement that it is your idea that in addition to a general farm relief bill providing for the creation of a board and setting up the machinery which you have suggested it would be necessary to have additional legislation from time to time of the kind you have suggested.

Secretary HYDE. Yes, sir. My idea is that this board will undoubtedly develop experience which will point the next steps.

Mr. PURNELL. You would have that board as a sort of clearing house for producers throughout the country?

Secretary HYDE. Yes; for farm problems generally.

Mr. PURNELL. Would you care to suggest, Mr. Secretary, to the committee the size of the board that would be best calculated to function efficiently?

Secretary HYDE. Fundamentally, of course, that is a question for the Congress to settle. My own thought about it, in so far as I have given it any thought, is that it ought to be small enough to act with reasonable dispatch upon the questions presented to it. I would be afraid that a large board would take too much time in making up its mind.

Mr. PURNELL. The board which was provided for in previous bills was made up of 12 members, 1 from each of the 12 Federal land bank districts in the country. You would not have a board that large?

Secretary HYDE. It seems to me that there would be two things wrong with that, particularly if the board was defined to be non-political or bipartisan. When you touch geographical and political limitations, it to some extent operates against the selection of the best available material. I think that a board of seven would be as large as you could have, perhaps, to avoid unwieldiness.

Mr. PURNELL. And such requests as might come from time to time from producers ought to, in your judgment, I take it from your statement, be presented to the board rather than have the board assume authority and hand down the suggestions.

Secretary HYDE. Exactly, Mr. Purnell.

Mr. PURNELL. I think that is all.

Mr. ASWELL. Mr. Secretary, have you given any thought to the salary to be paid to the members of this proposed board?

Secretary HYDE. No.

Mr. ASWELL. What salary would you pay to get the best men?

Secretary HYDE. Doctor, I have not considered that problem. These men will have a very difficult job. It is going to require all that they possess of earnestness and zeal and information to work out the multiplicity of problems that will be presented to them.

If business were going to employ such a board, they would have to pay, of course, what the men themselves demanded. But I am convinced that there are men in America whose interest in this great problem and whose loyalty to their country is such that the question of salary would not be the primary condition.

I should hesitate a long time before I attempted to name any definite salary that they should be paid.

Mr. ASWELL. Congress has to do that.

Secretary HYDE. I think Congress is entirely competent to do that.

Mr. ASWELL. Have you thought about the length of the term the board members should have?

Secretary HYDE. The suggestion somewhere was made of six years, and frankly I never went beyond it.

Mr. ASWELL. You would not go beyond six years?

Secretary HYDE. I mean to say, I did not consider it any further. It seemed to me reasonable, with a board changing one member every six years or some such space of time.

Mr. ASWELL. It would take 12 years to change one every 2 years.

Secretary HYDE. That all comes back to the character of the man and the continuity of his interest in the problem.

Mr. ASWELL. Do you think the Secretary of Agriculture should be a member of this board?

Secretary HYDE. My personal reaction is that I hope not.

Mr. ASWELL. There is one very important point that I did not quite understand you to make definite. It would take a good deal of money to handle this business, would it not?

Secretary HYDE. Yes, sir.

Mr. ASWELL. \$300,000,000 or \$500,000,000?

Secretary HYDE. I should think, Doctor, that in view of the fact that Congress will reassemble and that if experience points the need for more money, Congress will be in a position to appropriate it, \$300,000,000 would be a satisfactory sum to start with.

Mr. ASWELL. Would the stabilization corporations furnish any of this money?

Secretary HYDE. My understanding is that they should, and would margin whatever loans were made.

Mr. ASWELL. How would the cooperatives get the money? They have not any money.

Secretary HYDE. They would provide some margin, no doubt, from the fact that their advances to farmers would not be of the full market price or of the price at which it was attempted to stabilize the commodity.

Mr. ASWELL. Would it not be better if it could be the full price? A lot of people stay out of the cooperatives because they can not borrow more than 75 or 80 per cent of the value of their crops.

Secretary HYDE. On the other hand, I question whether a man believes in his proposition very strongly if he is not willing to put something in it himself.

Mr. ASWELL. The farmers generally are willing, but I am doubtful that they have the money.

Secretary HYDE. If the operation of the board results, as we hope it will, in the development of stronger cooperatives and stronger marketing agencies, that objection will to some extent disappear.

Mr. ASWELL. I mean in the beginning.

Secretary HYDE. There is a whole class of questions involved there as to the soundness of any proposition that is put up to the board that argues irresistibly to my mind the board ought to have to cross that bridge themselves.

Mr. ASWELL. You mean give them the latitude there?

Secretary HYDE. Yes, sir.

Mr. ASWELL. Would you give the board any authority over other incidental matters, such as regulating the exchanges, the net weight cotton proposal—things of that sort? Would you put the regulation of those matters into the hands of this board? Or would you have those matters taken care of by separate legislation?

Secretary HYDE. I have not given that primary consideration. My understanding is, without any further information than I now have, that most of those matters are in the department now, and the department is doing the best it can with them, and I think not entirely without success.

Mr. ASWELL. Many of those bills are pending here—that is, additional proposals that have not yet passed.

Secretary HYDE. The question of market regulation is covered pretty well, I think.

Mr. ASWELL. That is true.

Secretary HYDE. I think it would be wise to give that board general authority to reorganize marketing agencies on the application of the farmer-controlled cooperatives themselves. I think the board could by virtue of its advisory committees take each commodity independently and follow it through from the field to the final market. That sort of investigation would point the way to a solution of a lot of those problems that it is impossible to foresee.

Mr. ASWELL. In view of all that has been said here for the past 10 days and for the past 8 years—and much of it has been said several times; that is not a criticism, that is a fact—in view of all these things that have been presented to the committee I think you have about outlined the bill that will be written.

Secretary HYDE. I hope so.

Mr. ASWELL. That is all.

Mr. KINCHELOE. Mr. Secretary, you have laid down three ways to assist the farmer, in your judgment—the revision of the tariff, the reduction of transportation costs, and assistance by the Federal Government in marketing. Have you in mind what specific agricultural products would be benefited by having a tariff placed on them that do not now enjoy the protection of a tariff?

Secretary HYDE. Mr. Kincheloe, that is a subject I would not even pretend to discuss. I have not the technical information that would make my opinion worth anything to the committee.

Mr. KINCHELOE. You say that, in your opinion, you do not think the board ought to have more than seven members. Would you have a provision incorporated in the bill to the effect that the President would have to take into consideration the qualifications of the man whom he intends to appoint, as to his experience in any one or more of the different commodities?

Secretary HYDE. I can not see any serious objection to that. I feel this way, however, about it. There is not a man in America whose interest is more deeply stirred than is the interest of the President of the United States on this subject, and I doubt if anyone in America would consider the qualifications of the members of the board, even if Congress inserted no provision to that effect, more seriously than he, with an eye single toward the capacity and ability of this board to solve the problems.

Mr. KINCHELOE. You think that there should be stabilization corporations set up, do you not?

Secretary HYDE. Yes, sir.

Mr. KINCHELOE. To handle these surpluses, seasonal surpluses. Would you have them farmer owned and farmer controlled?

Secretary HYDE. Yes, sir.

Mr. KINCHELOE. Would you have a stabilization corporation for each major commodity?

Secretary HYDE. Either that or an association of cooperatives.

Mr. KINCHELOE. You would give the board the power, of course, in its discretion, to loan money out of this revolving fund to these stabilization corporations for the purposes of stabilization?

Secretary HYDE. Yes, sir.

Mr. KINCHELOE. If there should be any loss incurred in those transactions, do you think that loss ought to be borne by the Federal Government, or ought to be prorated back to the farmers?

Secretary HYDE. My opinion is there would not be any loss, but undoubtedly that is a question for Congress to decide. I know of no other body in the Government that is capable of declaring that sort of a policy.

Mr. KINCHELOE. Of course, that is what we are going to have to decide. I was just trying to get your opinion about the matter as to whether, in your judgment, if there should be a loss, whether it should be paid as a subsidy out of the Treasury or whether it should be prorated back to the farmers of that commodity in proportion to the interest they had in it?

Secretary HYDE. If there should be a loss, it would be because the board has overbid the market; that is to say, because it has advanced more on the commodity than the market price of that commodity, more than they can sell the commodity for. My thought is that there should be a margin between either the market price or the stabilized price and the amount which the board would advance per bushel or per hundredweight, or whatever it might be.

Mr. KINCHELOE. Do you think the board should pay the market price or the stabilized price?

Secretary HYDE. The stabilized price.

Mr. KINCHELOE. Even if it is less than the market price?

Secretary HYDE. I do not think any board would have the courage to do that.

Mr. KINCHELOE. I would not think they would find much stuff for sale under the market price, would you?

I did not get your answer as to whether you thought there ought to be a stabilization corporation for these major products.

Secretary HYDE. I think each commodity will have to be handled by itself.

Mr. KINCHELOE. I think you will agree with me, Mr. Secretary, that you have to farmers' cooperative marketing associations, or some similar organizations, if this scheme is to be a success.

Secretary HYDE. Yes; I do.

Mr. KINCHELOE. Do you think that the Congress should authorize an appropriation of so much money for educational purposes in order to get the farmers who have left the organization to which they once belonged, because they have become dissatisfied, back into the organization?

Secretary HYDE. We are already spending some money for that purpose, and I think it is valuable work.

Mr. KINCHELOE. You do not think it is possible to have a cooperative marketing system without sufficient finances to enable them to pay the farmer the market value of his products when he delivers them to the cooperatives?

Secretary HYDE. They are doing it now in the case of some commodities. The Land o' Lakes organization is paying a higher price for butterfat than any other marketing agency, whether it is a cooperative or not.

Mr. KINCHELOE. Do they pay the farmer his price down when he delivers the butter?

Secretary HYDE. They have the price of that particular commodity so stabilized that there is no question involved. The farmer gets the value of his butterfat when he brings it to them, and he gets a dividend back when the season's or the year's operations have been concluded.

Mr. KINCHELOE. Do you think an increase of the price of the farmer's products is likely to increase acreage and production?

Secretary HYDE. It undoubtedly would, if the price was so high as to act as a stimulant.

Mr. KINCHELOE. I think so, too, and that is the question which has been running through my mind in connection with this legislation; that is, how are you going to prevent overproduction if you have an increased price?

Secretary HYDE. My thought is this: If a parallel could be drawn—and the parallel is not exactly true—between the production of a farm commodity and the production of an industrial commodity, the fact that the producer of the industrial commodity controls his product from the factory clear through to the consumer gives him the opportunity to forecast his market and to arrive at a reasonable conclusion as to how many of his particular kind of goods he can sell, and regulate his production accordingly. I believe if we would give the farmer the control of his products from the field to the consumer he will develop an ability and a cohesiveness to control that product.

Mr. KINCHELOE. Do you not think there is this difference there, Mr. Secretary, that the manufacturer is what you might term 100 per cent organized?

Secretary HYDE. Yes.

Mr. KINCHELOE. I grant you if you can get anything like a 100 per cent organization of the farmers that that would be true. The thing that is in my mind is this: There have been a whole lot of cooperatives in the country that were once prosperous, but they have failed, not necessarily financially, but they have gone out of business, for this reason: The farmers who went in the organizations, comprising about 60 or 65 per cent of the total number of farmers, went in by reason of the fact that they were going to get an increased market price, but they were only paid about 75 per cent of their money down, while the other farmers who were not in the organization, not only got the benefit of the increase in the price by reason of the activities of those who were in the organization but they got their

money down. So many of the 65 per cent went out of the organizations in disgust.

I was wondering what we can do in this legislation to induce those fellows to come back.

Secretary HYDE. We are doing a big thing when we say we are going to deal with them.

Mr. KINCHELOE. How can you deal with them unless they are in some cooperative organization?

Secretary HYDE. There are organizations in existence now which, while they do not control as large a per cent of their output as we would like to see, nevertheless are, to some extent, representative of the commodity; and with the encouragement that would come from such a course, with the fact that this board can deal with them on their commodity, it seems to me there would necessarily follow a very large growth in the cooperative movement.

Mr. KINCHELOE. At the same time, of course, there are some major products in which there are no cooperatives at all.

Secretary HYDE. Yes; I suppose that is true, although I do not recall just now. There are cooperatives that cover the field pretty broadly.

Mr. KINCHELOE. The one crop I have in mind is tobacco. There is no tobacco cooperative now.

Secretary HYDE. There was one in Kentucky.

Mr. KINCHELOE. Yes; we had two good ones.

Secretary HYDE. They have entirely disappeared?

Mr. KINCHELOE. Yes; they have entirely disappeared, because the 65 per cent were dissatisfied.

Secretary HYDE. I did not know they had entirely disappeared.

Mr. KINCHELOE. They got tired of having their money held back. I wondered how we were going to get them back again.

Take the cotton industry. I understand there are not more than 10 per cent of the cotton producers in the cooperatives.

Secretary HYDE. Yes; I think that is true.

Mr. JONES. Mr. Secretary, you said, in your judgment, properly managed, these corporations or organizations would not lose money?

Secretary HYDE. Yes.

Mr. JONES. The present cooperatives have had that trouble, it seems to me from their testimony here, in the fact that whatever effect they have on the market by their organizations largely inures to the noncooperatives as well as to the cooperatives.

That is the reason they have had difficulty in making an apparent showing of good results even though their results might have been wholly beneficial.

Secretary HYDE. Is it not true that the labor movement in its process of organization had the same difficulty?

Mr. JONES. I think they had that to some extent, but I do not see how you are going to avoid the chance of some sort of loss from organizations such as you have outlined if you go into the market regularly.

Secretary HYDE. I think that in the declaration of purposes which Congress will write into this bill, not in the limitation of powers, necessarily, but in the limitations of operation, is your safeguard there.

Mr. JONES. Is it your thought that these stabilization operations, such as you have suggested, should be controlled by the cooperatives, or should be controlled by the cooperatives and the outside farmers, or by the outside farmers?

Secretary HYDE. I would not confine the stabilization corporation to cooperatives necessarily. I believe most of them will be, but the only requirement, so far as our mandate in the last election is concerned, is that they be farmer-owned and farmer-controlled.

Mr. JONES. Would it be your judgment that these corporations should be dealt with for the purpose of letting them handle the commodity at all times, or only at such times as the commodity seemed to be getting much lower than a proper level?

Secretary HYDE. That factor is the strongest argument I know of for broad powers to be given to this board.

There is a whole group of problems right in that one question. The supply on hand, the carry-over, the probable market price, foreign competition—all those things must necessarily be solved, or some sort of an answer found to them by the board before it could reasonably say what was sound and what was not a sound proposition.

Mr. JONES. I think that is probably correct; but it occurred to me that if the board could work out a proposition whereby the stabilization corporation would only undertake to go into the market when it was about to become depressed to a very great extent, and handle only matters at that time, it might be able to get along without a loss of money; whereas, if they undertook to handle it all the time, they might have the same experience that some of the cooperatives are now having, and that they would not be able to make a showing better than the outsiders are able to make.

Secretary HYDE. That board would have as advisers the commodity committee, and they would have all the expert knowledge and research of the department. I think that with the right sort of a board we could more safely leave that problem to them, in the light of that sort of information, than we could attempt to forecast it.

Mr. JONES. If the stabilization corporation should be opened to the interests both of the organized and the nonorganized farmers, what inducement would that offer to the farmer who was not in an organization to come into one, and thus undertake to handle his commodity through an organization?

Secretary HYDE. Well, I do not know whether this answers your question or not, but Americans generally have found considerable advantages in organization. Every other industry has, and I am fully persuaded that the farmers will do that.

Mr. JONES. There is no doubt that complete organization would be very desirable, and I was trying to develop your idea. I am simply asking for your judgment.

Secretary HYDE. My notion is that the farmer will follow his best interest just as the rest of us do; if he has an opportunity and can be made to see it.

Mr. JONES. Undoubtedly; but much also will depend on whether these corporations are able to show successful operation.

Secretary HYDE. Yes.

Mr. KETCHAM. Mr. Secretary, you have enumerated several things that you thought would be helpful in arriving at a final solution of the so-called farm problem. Would you be willing to restate those in the order of relative importance, or did you so state them?

For instance, you mentioned the tariff.

Secretary HYDE. Well, they are different. You might approach this problem from the angle of emergency relief on the one hand, and that of a long-time program on the other. The tariff, the development of cheap transportation, the withdrawal of or control of marginal or submarginal land, the question of reclamation projects, the development of research, foreign markets, and the widening of home markets are all part of it. There is a whole group of things that go into the long-time program, and they are, I think, fundamental in the final solution of this problem.

The farmers' board is an emergency proposition now, and as it develops will be dovetailed into the long-time program in such a fashion as to be immensely valuable, both ways.

Mr. KETCHAM. Referring to the surplus-control problem, of course, that has been one of the most vexing problems in the last few years. There have been some positive statements made to the committee by witnesses in these hearings to the effect that if we had an adequate tariff upon agricultural products that we now import, that come in direct competition with things that we do raise or that we can raise acceptable substitutes for, the surplus problem itself would be solved shortly. Do you care to express your ideas on that?

Secretary HYDE. I would not attempt to fix any percentages, but undoubtedly it would have an influence on that question in the use of substitutes.

Mr. KETCHAM. Some one has summed the whole argument up in this phrase, "We are importing our surplus, speaking agriculturally." You think that is a pretty fairly accurate statement of the general situation, do you?

Secretary HYDE. That is a neat phrase, and probably has considerable truth in it.

Mr. KETCHAM. Referring now particularly to the mechanics of the bill, you spoke of a board of a certain size.

Secretary HYDE. I do not want to give the committee the impression that I think that is the only size board there should be.

Mr. KETCHAM. That was merely a suggestion. As to the board itself, you said that you did not believe that geographical considerations ought to weight very heavily, or political considerations either.

Secretary HYDE. I think it would be wise, if you will pardon me, to balance the board so far as political considerations are concerned; but I do not think it is wise to set down geographical divisions so that three years from now the successor of a Democrat who might go off the board has to be selected from that particular geographical area. There might be a cracker-jack—if you will pardon that expression—man of the opposite political persuasion in that particular district, and if you could not get him because you are limited to selecting a Democrat in that particular district, I think it might be unfortunate. On the other hand, the argument works the other way.

Mr. KETCHAM. What I had in mind, Mr. Secretary, was this. Do you believe that consideration of the relationship of these men to

various commodities ought to have weight; that, broadly speaking, after first picking out your man, you should next consider his relationship to certain commodities, so that on the board we might have a pretty fair cross-section of the agricultural industry of the United States?

Secretary HYDE. I believe we would be safer, in view of the fact that commodity associations or commodity committees are to be set up for each commodity, and in view of the fact that the department has specialists on these propositions, I believe it would be safer if the board were picked on the basis of general ability, leaving it to the commodity committees to supply the technical information.

Mr. KETCHAM. The next point I would appreciate your judgment upon is this: Whether or not you believe that this farm board should be set up as an independent proposition, another one of the independent boards, or should it be set up, being very closely related to it, as a part of the work of the Department of Agriculture? Or, to put it in a briefer phrase, should it be in or out of the Department of Agriculture?

Secretary HYDE. I had never given that question any thought. I think, with all the aid the board would have in the vast amount of material that the Agricultural Department has, with the facts bearing on these various subjects—

Mr. KETCHAM (interposing). Of course, it can be readily seen, or it would appear to me at least, that there is a vast field of other marginal questions there, and that if they were not very closely related you might get into some pretty serious complications.

Secretary HYDE. If you will pardon me, Mr. Ketcham, in my brief experience in the Department of Agriculture, I think all those bureaus are independent, anyway.

Mr. KETCHAM. Just one further question. You have referred to a number of very important incidental pieces of legislation that you regard as important. Aside from this general farm-relief situation that we are now dealing with, do you believe that in the special session of Congress we ought to give consideration to those matters either in or as a part of this bill, as a special section of this bill, or in the form of separate, independent bills, but still as a part of the large farm-relief program?

Secretary HYDE. I confess to you I have confined most of my thought to this one problem.

Mr. KETCHAM. Your judgment is that we had better set this up and let the rest come along later?

Secretary HYDE. I think we are in a situation where we are going to have to develop our own experience and let that guide our future steps.

Mr. FULMER. Mr. Secretary, did I understand you to say that this board we have been talking about should have very broad powers so that they would be able to render assistance to the farmer in controlling his commodity from the farm to the ultimate consumer?

Secretary HYDE. Yes.

Mr. FULMER. And you mean by that, I take it, that they perhaps could render some assistance by establishing clearing houses and terminal markets, processing plants, and so forth?

Secretary HYDE. Yes.

Mr. FULMER. You understand that that would really eliminate quite a lot of middlemen, parasites, and so forth, who are now fixing prices to the producer and to the consumer?

Secretary HYDE. It might. If the middlemen to whom you refer are not rendering any service that would be worth what they collect, then it would probably be of benefit to the country if they were eliminated.

I do not think it would necessarily eliminate any of the distributors who are really rendering valuable service to the commodity.

Mr. FULMER. In the case of cotton, for instance, the farmer, outside of the cooperatives, will come to his marketing point and sell to the local buyer; that local buyer will sell to a buyer at the county seat, and perhaps that buyer will sell to some one in the center of the State—at the capital, for instance—and that buyer will sell to some real cotton factor, exporter, or to the mill. Under those circumstances we have sometimes 3, 4, or 5 men operating between the producer and the mill or exporter. So I thought you had in mind trying to work out some plan whereby we might eliminate quite a number of those people.

Secretary HYDE. My general reaction to that is this: The people of America, both the consumers and the producers, are entitled to an economical distributing machine. If it is found that the free channels of distribution are choked up by some unnecessary machinery that now exists, that machinery will have to be discarded.

Mr. FULMER. Do you believe this board should be given every power possible to render every assistance in helping the farmers to buy, for instance, collectively, as well as to market that which they produce?

I have in mind the fact that to-day the farmers in the South are buying fertilizer, for instance. As it is now, each farmer, it does not make any difference how small a farmer he is, goes out and buys his fertilizer, whereas if they had a proper agency and could buy collectively in quantities, so that they would get the advantage of the first prices, and perhaps have mixing plants, buying the material and mixing it and selling the product to the farmer, we would eliminate quite a lot of waste, a lot of freight, and so forth.

Secretary HYDE. Would not that question be answered by his organization anyway if we encouraged the organizations?

Mr. FULMER. And then the board should render assistance to the organization along that line.

Secretary HYDE. It is proposed to have it render assistance to cooperative organizations.

Mr. LARSEN. Mr. Secretary, if I understood the trend of your statement, it was to the effect that no general bill could be drawn which would solve the farm problem, no one bill, that it would necessarily require several bills to cover the ground.

Secretary HYDE. If you will pardon me, I do not think I meant that so much as that the farm problem consists of so many different problems, with so many ramifications of them, that if we set up an agency with general authority it can attack all those problems. It would to that extent attack the difficulties of the people of America in that way and effectuate an answer to those problems.

Mr. LARSEN. Would you give the board sufficient powers so that as it came to the major ones it might deal with them then, or would you

require that the board should recommend to Congress also from time to time such remedial legislation as might be thought beneficial for the solution of these problems, or both?

Secretary HYDE. I think I would do both. I think the necessary discretion of the board would indicate that they would refer back to Congress the problems that they did not have power to deal with, any such problems that did not require immediate action.

Mr. LARSEN. Is it your thought that those problems would all be for solution absolutely by the Federal Government, or that the solution of them might be aided by the States themselves?

Secretary HYDE. I think the greatest amount of aid is to come not from the States but from the farmers themselves.

Mr. LARSEN. Just a question or two in reference to the board. You did not make yourself exactly clear to me as to whether or not you favored a bipartisan board and a regional board.

Secretary HYDE. I think the bipartisan feature is valuable.

Mr. LARSEN. Would you have a regional board?

Secretary HYDE. I seriously question the regional feature.

Mr. LARSEN. If you do not have a regional board, are you not likely to get into the difficulty of having the production of certain farm products not represented by some man who is sufficiently conversant with the whole situation as to understand the problem?

For instance, the various sections of our country, in a general way, produce different commodities. We have the wheat section in the Northwest and the cotton section in the Southeast, and then we have the potato crop and the vegetable crop and the fruit crops scattered in various sections of the country.

Secretary HYDE. Do you not think that is answered by the commodity committee, which acts as an expert body for that board?

Mr. LARSEN. You mean the advisory commodity committee?

Secretary HYDE. Yes.

Mr. LARSEN. But the advisory committee would have no authority; all it could do would be simply to recommend; and you would need a board, it seems to me, that would be clothed with sufficient authority to execute what it thought were the plans necessary for the solution of the problem.

You propose, of course, that the Federal Government, by the creation of a revolving fund, shall aid cooperative marketing.

Secretary HYDE. Yes.

Mr. LARSEN. Do you mean they shall aid the cooperatives not only in marketing the products, or would you make loans to the cooperative associations to make purchases of the necessary articles used in production?

Secretary HYDE. There might be very valuable aid given by making loans made on plant and equipment.

Mr. LARSEN. Financing production as well as marketing of the products?

Secretary HYDE. I think that can safely be left to the board. If it was sound to do it, it might be valuable. But it might be very unsound to do it.

Mr. LARSEN. You realize, of course, that in some localities in this country we have the tenant problem, which is a very important factor, and we also have the race problem. It is pretty difficult in some instances to make the tenants and the different races to coop-

erate in these marketing associations. How would you solve that problem? How would you provide machinery for the solution of it, by leaving it up to the board?

Secretary HYDE. Of course, where the race problem enters, no doubt often the commodity organization should have branches that would cover that question.

Mr. LARSEN. I have been told by cooperative representatives that in many cases it is very difficult to get the races to get together on such proposition, because they are suspicious of one another in many instances. Suppose the Federal Government is going to furnish funds for the marketing of crops, and is going to furnish those funds to the cooperative associations. Would you then permit the Federal Government, or is it your idea that the Federal Government should be permitted to advance funds to the cooperative associations to go into the market and purchase the crops below the cost of production, especially the crops of those who were not able, or who for certain business reasons decided it was not necessary or best for them to be members of the cooperative associations?

Secretary HYDE. The question of cost of production is a variable term. I saw the other day the figures from Minnesota covering the cost of the production of wheat. I would not be entirely certain that my figures are accurate to the cent, but they are roughly so, and the cost of the production of a bushel of wheat in Minnesota varied from 60 cents to \$2.05.

Mr. LARSEN. You would have the board ascertain the cost of production, or the cost of the commodities produced, would you not?

Secretary HYDE. It might be wise to have the board attempt to arrive at the cost of production of at least so much of the product as was necessary for consumption.

Mr. LARSEN. Then would you permit the Federal Government to advance money to the cooperative associations to go out into the field of production and purchase those products below the cost of production as ascertained by the board?

Secretary HYDE. Of course, after all, unless we have a concrete example, I do not know that I could answer that question.

Mr. LARSEN. Let us take cotton or wheat, either one, and let us say that the world production price of wheat was \$1, and it was selling for 75 cents. Would you loan money out of the Federal Treasury to enable these cooperative associations to go out and purchase that wheat at 75 cents per bushel, or would you say to them, if you enter the market and enter the field with Government funds, you must pay the cost of production which is ascertained by this board to be \$1 a bushel?

Secretary HYDE. There might be a certain percentage of the crop that you could say had a cost of production of a dollar or less. I do not know how you would arrive at the fact that any cost of production was a certain definite sum because of the variable nature of the cost of production.

Mr. LARSEN. I am talking about world production now, Mr. Secretary.

The CHAIRMAN. Your time has expired, Mr. Larsen.

Mr. LARSEN. Mr. Chairman, I suggest that the Secretary should be permitted to answer my question.

The CHAIRMAN. Your time has expired.

Mr. LARSEN. My time has expired, but the Secretary should be allowed time to answer the questions.

The CHAIRMAN. He may answer.

Secretary HYDE. The point I am trying to make is that the cost of production of any commodity is such that while you might be able to estimate that 75 per cent of the crop was produced, we will say, at "X" cost, or less, it would not be possible to get the cost of production of a whole crop.

Mr. FORT. In the matter of the question of the cost of production here and abroad, that is primarily a matter for the Tariff Commission, is it not?

Secretary HYDE. Yes.

Mr. FORT. That is the body which is now charged by law with the duty of ascertaining that fact.

Secretary HYDE. Yes.

Mr. FORT. And there is no special need of our duplicating that machinery, as I see it.

Secretary HYDE. I agree with you.

Mr. FORT. You think that the board, if created, should be a board in the Department of Agriculture?

Secretary HYDE. I believe that the most economical operation could be assured in that way.

Mr. FORT. Do you feel that we should at this time attempt to differentiate the present functions of the present bureaus of the department, deciding which should be affiliated with the farm board on the marketing end, for instance, or would you leave that until we found by the actual operations of the farm board which of the present activities of the department logically belonged with it?

Secretary HYDE. I would agree with the latter course.

Mr. FORT. In other words, we should at this time simply set up a board within the department, of some moderate size, leaving matters of detail of that sort for future determination.

Secretary HYDE. Yes.

Mr. FORT. Have you given any particular thought to this question: It has not been particularly discussed at any time here, but do you think it would be the part of wisdom to provide by legislation power in this board, or in the Secretary of Agriculture, rather, to allocate to the farm board such bureaus of the department now existing that seemed to him logically to belong within the scope of the board's operations, in order to prevent duplication, or to allocate such as might be requested by the board?

Secretary HYDE. I do.

Mr. FORT. So we should confer in this legislation power on you to reorganize those departments and services?

Secretary HYDE. Yes.

Mr. NELSON. Mr. Secretary, in your opening statement you acknowledged the existence of a real farm problem.

Secretary HYDE. Emphatically; yes.

Mr. NELSON. In other words, you feel—to use a Roosevelt expression—that the farmer has not had a "square deal"?

Secretary HYDE. I think that in the readjustment, or development and adjustment, of industry over the last 30 years the farmer has been in a rather helpless position.

Mr. NELSON. And you believe that some Federal legislation is desirable?

Secretary HYDE. I do.

Mr. NELSON. Should the prime objective of this legislation be to raise the price of farm produce or to lower production costs—and when I say “production costs” I include the cost of the product as it goes to the market and is sold.

Secretary HYDE. Why not both? The course of industry has been that cheapening the cost of production cheapens the production without destroying the profit.

Mr. NELSON. In other words, you would hold that real farm prosperity is to be measured solely by the purchasing power of the profit.

Secretary HYDE. I do not know that I exactly understand you, but undoubtedly that would be a large factor.

Mr. NELSON. The farmer would be no better off if he could to-day, in Missouri, for instance, sell a product for \$2, if it costs him \$2 to produce it.

Secretary HYDE. No.

Mr. NELSON. So that real farm prosperity must be measured by the purchasing power of the profit. If there is no profit there is no prosperity for the farmer.

Secretary HYDE. No.

Mr. NELSON. You spoke about forecasting production. It is impossible for to definitely forecast production; is it not? In Missouri, for instance, you will recall that in 1901 we had a corn yield of 3 barrels or 15 bushels per acre, but in 1902 the crop averaged 40 bushels per acre.

Secretary HYDE. Yes.

Mr. NELSON. Because of changing seasons, it is, then, impossible to forecast production?

Secretary HYDE. It is impossible to do it too long in advance, but some quite accurate forecasts can be made and are being made.

Mr. NELSON. Assuming that it were possible for us to so determine the acreage that we could foretell exactly what the production would be and what the crop demands would be in the next year, would it be desirable for us to have no surplus?

Secretary HYDE. There is and probably always should be a carry over. It is a very nice question as to when you have a surplus that is excessive.

Mr. NELSON. It would be a pretty dangerous proposition if we produced exactly what was needed and no more?

Secretary HYDE. I confess I do not know whether I can answer that. I do not think there is any danger of any serious shortage of food supply in America. The history of the last 200 years is proof of it, on the one hand, and the enormous development of farm production, under the stimulation of high prices during the war, is a sufficient guaranty on the other hand. That whole question resolves itself into the very nice proposition of when do you have a surplus? A normal carry-over is probably not a surplus.

Mr. NELSON. Should the legislation primarily tend to prevent a surplus or to take care of any reasonable surplus that might exist, so that it might not unduly depress the price?

Secretary HYDE. Should not that problem be left with the board? After all, when you create an agency or instrumentality, it should have power to deal with just such questions in an adequate and informed way.

Mr. NELSON. But we have in the committee two schools of thought, apparently. One would have legislation that would prevent a surplus, and the other that would take care of a surplus after it had been brought into being. Therefore, I was anxious to get your view on that.

Secretary HYDE. I am one of those who still believe that the development of these farm organizations, where the farmer can really forecast his own operations, forecast the market demand, and forecast his production, will be sufficient to prevent any undue surplus.

Mr. NELSON. But you do not hold that a reasonable surplus is an undesirable factor?

Secretary HYDE. Not until it gets so big as to seriously depress the market price below the cost of production.

Mr. MENGES. Mr. Secretary, is it your idea that this stabilization corporation to which you referred a little while ago, should stabilize the prices in such a way that the price to the consumer would be increased, or do you think that the machinery set up between the producer and the consumer would take care of that?

Secretary HYDE. I believe that the board could exercise sound discretion and answer that question satisfactorily. Any board or any industry, even if it had the power to control, would still be compelled to sell within the limit of what the consumer will pay. The development of substitutes is too easy. The exercise of sound discretion on the part of the board would undoubtedly be a sufficient protection for the consumer.

Mr. ANDRESEN. Mr. Secretary, is it your opinion that the farmer, through his own efforts, and by cooperative efforts with his neighbors, with the aid of legislation, will eventually be placed in a position where he will have something to say about the price of his crop?

Secretary HYDE. I think so.

Mr. ADKINS. Mr. Secretary, the broad powers advocated for this board would be such powers that when a cooperative or an agency would come and apply for a loan, the board could use discretion as to whether or not it would be advisable to make the loan.

Secretary HYDE. Yes.

Mr. ADKINS. Would you limit the board's powers to such an extent that it could not go out and say to the producer of a certain commodity that he must do certain things?

Secretary HYDE. I would certainly limit their power to the extent that they would have no authority to take any action that would increase the surplus, which would merely be postponing or magnifying the evil day.

Mr. ADKINS. They should not be given any authority to tell them that they must get ready to take care of the surplus, but, realizing the fact that probably they would have to go into their own pockets and put up the money, the board should be given power to exercise some discretion as to how they should do it.

Secretary HYDE. Yes.

Mr. ADKINS. Now, then, after doing that, and they make a loan to the stabilization corporation, it is not based on what they pay for the commodities.

Secretary HYDE. I do not know how they could make a sound loan if they did not have some indication as to the application of it when applying for it.

Mr. ADKINS. They would not. That would be when the industry decided to make a loan.

Secretary HYDE. Yes.

Mr. ADKINS. But in the conduct of the business, you think they should handle that.

Secretary HYDE. I think that it would be valuable if the board had the power to follow it through, and see that the commodity marketing association had or did not have an organization that was worthy of credit.

Mr. ADKINS. The board would ascertain that before making the loan.

Secretary HYDE. Yes.

Mr. ADKINS. If they started something wild, the board would do like any banker, and call the loan.

Secretary HYDE. It is not my thought that the board would become a selling or buying agency.

Mr. CLARKE. Mr. Secretary, I want, first, to compliment you upon your statement. I believe that every member of this committee will indorse it, and that we are ready to pursue a common objective, along with you and President Hoover.

I now show you a map, similar to the one I showed you the other day down at the department, aside from the tariff which we have indicated in different colorings. This is an illustration of the effects at present of the warehouse act on different farm commodities. Now, I will ask you, first, if you do not think an amplification of the operations under the warehouse act should be enlarged on, as proposed in the last bill?

Secretary HYDE. I must confess to you, Mr. Clarke, that I have not gone into that well enough to make any matured reply. I think, however, that that is the view of the department.

Mr. CLARKE. It is already shown by the record that up to \$1,000,000,000 is being financed, or is being advanced on the commodities moving through the Federally supervised warehouses; so that it would seem to me that, with a nation-wide application of the act, it could be made more effective. We have one criticism that comes to us from the cooperatives, and that is with reference to a shorter term credit or a shorter-term turnover through the intermediate-credit banks. Do you not think that would be a good idea?

Secretary HYDE. I think so.

Mr. HOPE. Mr. Secretary, if I understand your ideas correctly, you think we should be careful about limiting too closely the powers of this board that is proposed to be created.

Secretary HYDE. Yes.

Mr. HOPE. You think that we ought to give it as broad and general powers as possible, in order that it might work out plans for meeting the various problems that will come before it.

Secretary HYDE. Yes.

Mr. HOPE. Do you think it would be advisable to give the board the power to determine whether it would limit membership in the stabilization corporation to cooperative organizations or extend it to cooperative organizations and individuals?

Secretary HYDE. So long as the individuals were farmers I do not think there would be any necessity for limiting it further.

Mr. HOPE. Some of the representatives of the cooperative organizations who appeared before the committee—in fact, I think all of them—have been rather positive in their statements that membership in the stabilization corporations would be limited to cooperative organizations, for the reason that otherwise there will be no incentive for the farmer to join the cooperative organizations. They are interested, of course, in building up those organizations, and feel that a plan of this kind depends on the construction of cooperatives.

Secretary HYDE. Yes. I think that we are interested also in building up those cooperatives, and until we have them built up I do not know whether it would be wise to make that limitation or not.

Mr. HOPE. You think that possibly in the beginning, due to the fact that the cooperatives in some commodities are not strong enough to be large factors in marketing, we might have to depend upon individuals assisting in that.

Secretary HYDE. Yes.

Mr. HOPE. But it would be your idea, would it not, if they should develop later on, that it would strengthen the cooperatives to limit the membership in the stabilization corporations to the cooperatives, and that the board should have authority to make that limitation.

Secretary HYDE. Of course, if you did that under the bill now, it would have to be a rather discretionary matter.

Mr. HOPE. You think that the terms of the McNary bill, introduced in the last Congress, which would leave the membership open to either individuals or cooperatives, is the plan we should use for the present?

Secretary HYDE. For the present; yes.

Mr. BRIGHAM. In the legislation setting up the Federal farm board do you consider it necessary to define the relationship between the farm board and the Department of Agriculture?

Secretary HYDE. I do not think so. I do think that the suggestion made a while ago, however, that power be given to Secretary of Agriculture, or to the board, to draw on the resources of the department, is a valuable one.

Mr. BRIGHAM. You would provide for turning over the resources of the Department of Agriculture to the Federal farm board.

Secretary HYDE. Yes. There is a perfect mine of information down there that, unhappily, has not gotten out as fully as we would like to have it go out. There is a thoroughly competent staff of experts there, and they are working all the time on the problems affecting each commodity. That information will be of immense value to the farm board in arriving at sound conclusions on those various problems.

Mr. BRIGHAM. There would be no use in having the board duplicate that machinery to do the same thing.

Secretary HYDE. No. I do not think there is any bureau or part of the Department of Agriculture that would not willingly afford any information it has to the board, but it might be well enough to provide for it in the bill.

Mr. HOUSON. Do you think there should be a definite coordination or relation set up between the board and the Tariff Commission, in order that the board might have something to say as to when the flexible feature of the tariff should be applied to any commodity?

Secretary HYDE. I have not given that enough thought to make an answer that would be of any value.

Mr. HOUSTON. The tariff, of course, is one of the major considerations in dealing with this problem.

Secretary HYDE. Yes; I can see the basis of that suggestion. On the other hand, it might get us in a position where it might slow up action, although that might not be the case.

Mr. HOUSTON. We might assume, perhaps, that the Tariff Commission has not had any application made to it for the application of the flexible tariff provision, and the board might be in a position to indicate that distress was due to importations. Then, should there not be some definite relationship there, in order that advantage might be taken of the knowledge of the board?

Secretary HYDE. I confess I have not given that thought enough to make an intelligent answer.

The CHAIRMAN. Mr. Secretary, I understood you to say that you had no detailed plan to suggest at this time.

Secretary HYDE. No, sir; no detailed plan.

The CHAIRMAN. And that this proposed board should work out the details.

Secretary HYDE. Yes, sir.

The CHAIRMAN. Then, this would just be an act declaring a policy.

Secretary HYDE. I do not know whether I understand your question.

The CHAIRMAN. The act should declare the policy as a guide to the board.

Secretary HYDE. Yes, sir.

The CHAIRMAN. It would declare it in specific terms.

Secretary HYDE. Yes, sir.

The CHAIRMAN. And the board should be given broad powers to carry out the policies declared by the act?

Secretary HYDE. Yes, sir.

Mr. ASWELL. Mr. Secretary, as the oldest-looking member of the minority on this committee, I want to congratulate you on your skill before this committee. This committee does not always behave as well as it has to-day. It has been on good behavior to-day. I congratulate you upon stating definitely and clearly the plan you have in mind.

For myself, as a member of the minority party, I am entirely willing, as I recognize the last election, to leave this question of the board to President Hoover, without any limitation or restriction. I believe that he would select the best men in the country, if we should give him the money. I want to say for myself—and I speak for no other—that I am ready and willing to go the whole length in supporting Mr. Hoover and you in working out a plan that will help the farmers of this country. [Applause.]

Secretary HYDE. May I say to you, Doctor Aswell, that I very deeply appreciate your kind remarks, but that "I come from Missouri." [Laughter.]

The CHAIRMAN. Mr. Secretary, I think I can speak for all the members of the committee when I say that I am sure we are under very great obligations to you for your statement.

Secretary HYDE. Thank you.

Mr. KINCHELOE. I take it from what you said in your opening statement, Mr. Secretary, that your acceptance of the invitation of the committee to come up here and give your views on farm relief should not be construed by the committee as an announcement of your candidacy as a member of the board.

Secretary HYDE. You are right about that.

Mr. CLARKE. I would like to submit, for the information of the committee, some data and facts relative to the warehouse act.

The CHAIRMAN. Without objection, that may be done.

Mr. CLARKE. I will hand it over to the clerk of the committee.

(The data submitted by Mr. Clarke is as follows:)

WAREHOUSE BILL

Aside from the tariff, which should be readjusted on some agricultural commodities and a few other American products, I believe a permanent agricultural policy, adjusted to meet changing conditions regarding agriculture, should be established by law; that a farm board should be set up with broad enough powers and adequately financed so that a comprehensive survey of agricultural conditions can be made; that this board should make definite recommendations, file annual reports to the Congress, and that in its program should be included an enlargement of the present warehouse act as embodied in bill 16081, under consideration by the Agricultural Committee at the last session.

1. The facts are that there were in 1920, 28 warehouses in the United States; that there are now, as of March 30, 1929, 589, all under Federal license, in 37 different States.

Number and capacity of warehouses licensed under the United States warehouse act, by years

	Cotton		Grain		Wool		Tobacco		Peanuts		Broomcorn	
	Number	Bales	Number	Bushels	Number	Pounds	Number	Pounds	Number	Tons	Number	Bales
Apr. 1, 1920 ¹	23	43,250	5	146,000		5	24,375,000					
Apr. 1, 1921	238	429,975	56	2,108,400		18	27,500,000	14	68,395,000			
May 1, 1922	268	1,200,665	263	14,441,080		15	32,688,505	51	305,785,000			
Nov. 1, 1923	397	2,283,499	261	30,474,857		13	22,664,250	87	535,435,000			
Nov. 15, 1924	376	1,661,605	276	28,125,707		13	24,438,750	90	666,576,000	12	9,108	1,000
Dec. 28, 1925	309	2,378,076	325	34,165,851		18	40,738,750	63	583,232,000	15	13,485	1,000
Dec. 4, 1926	316	2,704,598	320	38,390,635		13	40,738,750	63	583,232,000	15	13,485	1,000
Dec. 3, 1927	322	2,779,963	245	38,948,464		17	43,896,000	22	255,413,000	9	14,600	1,000
Sept. 1, 1928	337	3,507,885	103	30,984,734		13	26,229,000	11	218,866,000	8	11,600	1,000
Mar. 30, 1929	325	3,714,851	165	33,299,777		14	21,960,000	10	237,069,000	11	15,780	1,000
	Beans		Potatoes		Syrup		Dried fruits		Canned foods		Cottonseed	
	Number	Hundred-weight	Number	Hundred-weight	Number	Gallons	Number	Pounds	Number	Cases	Number	Tons
Nov. 15, 1924	1	10,000	1	16,000								
Dec. 28, 1925	6	124,845	4	160,611	2	275,680		3	200,000			7,500
Dec. 4, 1926	9	122,914	5	263,776	3	440,000		3	7,972,720			11,000
Dec. 3, 1927	12	223,040	1	100,000	9	467,650		4	1,875,000			11,000
Sept. 1, 1928	12	203,042	1	50,000	11	755,880		1	4,000,000	57	2,133,650	8,500
Mar. 30, 1929	13	253,692	1	50,000	9	799,730		1	4,000,000	36	1,481,400	8,500

¹ First license issued Oct. 28, 1919.

Cold-peck fruit: Sept. 1, 1928, 3 licenses issued; capacity, 2,000,000 pounds. Mar. 30, 1929, 3 licenses issued; capacity, 2,000,000 pounds.

2. The total value of all the agricultural products passing through this Federal licensed warehouse approximates \$1,000,000,000 annually.

3. There are now 12 different agricultural products stored in these Federal warehouses, under the present law. This warehouse act should be amended as was proposed, so that by law and regulation more products would be permitted to be stored in these privately-owned but Government supervised and inspected warehouses.

Regarding the actual advantages derived from the use of the Federal warehouse receipt in handling farm products, I think these may be summed up partially as follows:

1. *Financing.*—The financing of stored products incidental to the orderly marketing of farm products has been facilitated by the use of the Federal receipt: Many producers' organizations, dealers in agricultural products, and warehousemen whose operations were restricted through an inability to secure adequate credit locally have been enabled by means of Federal receipts to secure ample credit from larger financial centers. In some instances this has been effected through local bankers by rediscounting acceptances, and others by the borrowers going direct to large city banks. Bankers in many of the big cities have expressed repeatedly a preference for Federal warehouse receipts as compared with receipts issued by many nonlicensed warehousemen or warehousemen licensed under State laws. Due to the enlarging of the credit zone through the Federal warehouse receipt, many borrowers have been able to secure loans at lower interest rates than they were able to obtain before they had such receipts. This is substantiated by the experiences of producers' associations, farmers, and dealers marketing cotton, rice, grain, wool, tobacco, canned foods, dried fruits, and other products. Frequently the loan margin has been increased by bankers where Federal receipts were used as security, so that borrowers have secured loans representing a greater percentage of the market value of the products, than they could get before using such receipts.

2. *Grading.*—The Federal warehouse act compels the warehouseman to have all farm products offered for storage, graded by licensed graders in accordance with official standards of the United States, if any, or other approved standards, unless the depositor specially requests that such grading be omitted. The result is that all bulk, or fungible products, are graded and the grade stated on the receipt. The same is true in the case of many products stored on an identity preserved basis. While some receipts issued by warehousemen not licensed under this act show a grade, many are issued which do not. We have frequently found warehousemen who did not like to assume the responsibility incident to stating grades in receipts. Some actually discourage grading. Of course, a statement of the grade on the receipt is essential to the banker to determine the fair loan value of the product.

The grade also informs the depositor of the value of his products and enables him to sell more intelligently, and frequently to eliminate costly and wasteful sampling. For example, at a certain cotton-mill town in the South we have two warehouses licensed under this law. Between 30,000 and 50,000 bales are handled through these houses annually. Prior to the licensing of these houses all cotton was sold from farmers to dealers and from dealers to mills on the basis of sampling. A bale was frequently sampled several times. When the warehouses were licensed this practice ceased. The warehousemen grade all the cotton and state the grades on the receipts. Instead of financing and buying on the basis of samples, the warehouse receipts with grades thereon become the basis, this requiring only one sampling. Bankers, buyers, and mills all have confidence in these receipts.

In our canned-foods warehousing the grading is exerting a similar influence. Although canned goods have been eligible for storage only a little over two years, already canners are quoting prices on the basis of the grades as determined at the licensed warehouses.

What has been said with reference to cotton and canned foods applies equally to other commodities. Trading on the basis of licensed receipts showing grade is increasing. When the practice becomes quite general wasteful sampling and cost incident thereto will be eliminated in a large measure.

3. *Insurance benefits.*—Due to the requirements for admission into the federally licensed warehouse system and the supervision exercised by the department, lower insurance rates are granted to depositors in federally licensed warehouses and on the warehouses by insurance rating bureaus in many States. This is true in all cotton-producing States. The average credit granted is a

10 per cent reduction from the rates prevailing before the warehouse became licensed.

4. *Supervision.*—The supervision exercised by the department gives the person who stores in these licensed warehouses assurance that his products will be in the warehouse when he desires delivery. Because of losses sustained in the past, farmers in many sections have been afraid to store their products in public warehouses. The Federal supervision has restored confidence in many sections.

STATEMENT OF C. W. CROES, ABERDEEN, S. DAK., REPRESENTING THE SOUTH DAKOTA WHEAT GROWERS' ASSOCIATION

Mr. CROES. Mr. Chairman and gentlemen of the committee, we have at the present time about 3,000 members. Our association has been in existence six years, or it is now in its sixth year. During that time we have handled about \$10,000,000 worth of production.

Mr. ANDRESEN. In what State?

Mr. CROES. In South Dakota. We are operating on the same basis as the Canadian Wheat Pool. I might relieve you gentlemen in the first place by stating that I have not discovered any plan or solution for the agricultural problem. I have just one or two points I would like to bring out. Our membership has not been interested in the stabilization plan to any great extent, unless it contemplates segregating the exportable surplus, or by some means definitely establishing an American price within the border as labor and industry enjoy under our protection policy. You gentlemen are familiar with that question and I will not go into that any further. We will not oppose and will be interested in watching and working with any plan that offers something substantial, but we are not particularly interested in the stabilization idea of a plan to absorb the surplus, by carrying it over until there is a demand later in the year, or by simply stabilizing our market with the world market. However, I will go further into that, if you gentlemen wish to question me about it.

I would like to stress the importance of the loan feature, particularly for the purchase of physical facilities. In order to bring out my point on that, I can make it more clear, I think, by referring to the development of the cooperative marketing program in Canada. Going back about 25 years, Saskatchewan and the other provincial governments encouraged their cooperatives by establishing a loan plan for purchase or construction of warehouse facilities on what has proved to be a practical basis, with the stipulation that the loans would be made only when a number of locals were consolidated into a unit; the purpose being that by coordinating at least a small number of locals together it made a sufficiently stable basis, made possible the employment of high-class management, and made possible, through the volume, a better opportunity of warding off overloads or financial burdens that had caused failures and losses when cooperatives had attempted to operate as single units. That proved in Canada to be a practical basis. The most important point, I think, perhaps, they did not realize at the time of originating this plan, but it was the result of that requirement.

Their stipulation was that at least 25 local farmers' elevators—referring to them specifically—must band themselves together into one company, so that they could have terminal facilities and competent management. It resulted in the incorporation the first year

of one company having 50 locals, which later developed into one large practical farm marketing organization which in 1925 owned 451 local units, owned its own terminals, owned its own exporting agencies, provided its own finance or made its own finance contacts, and came down through the years from 1906 to 1925 without the loss of a single unit or at any time jeopardizing its credit or the loan, and handled in 1925 40,000,000 bushels of grain satisfactorily and economically from the field to the foreign consumer and the domestic consumer, showing a profit that year of slightly short of a million dollars.

This company was then absorbed into the larger organization there, the present Canadian Pool. But the point I want to bring out is that the fact of their requiring the consolidation of those 25 locals apparently eliminated the local idea which has been prevalent within the States, and created the regional idea, with its strength and influence, breadth of capacity, safety, and so on, and has resulted in the development of what is now a practical farmer-owned stabilization corporation in Canada.

Now, I have wondered sometimes if that feature, injected into our loan provision that has been mentioned in this bill, is not more important than some of its sponsors have realized. It is a longer time program, but I think you men will agree that if we had in the States here a farm marketing organization with as successful a record back of it as the 25 years back of the Canadian organization; if we had a farm marketing organization within the States controlling as large a portion of our agricultural product as that organization does of the agricultural product of Canada, your committee would have a great deal more support and more solid and effective support from the field than you have now. I think that that loan feature, properly based, will go a long way toward bringing that about.

With reference to the handling operations, that is fairly well taken care of. With reference to loans for organization work, we are not so particularly interested in that; but we are vitally interested in a practical provision for loans for facilities based upon a substantial basis, conservative, and requiring the consolidation of large enough units.

I will not take any more of your time unless you have some questions to ask.

Mr. FULMER. Mr. Croes, I gather from your remarks that just the matter of stabilizing would not mean much to you and your folks unless you had some scheme whereby you would be able to get a fair price for that which you produce. In other words, it would be possible to stabilize the price over a certain period at an average price perhaps below the cost of production?

Mr. CROES. Yes, sir. Our position is that simply picking up the volume in the fall of the year by the Federal board or the stabilization corporation, and carrying it along to a later season, is a job that really can be done by farm organizations. Now, we would not oppose the Government stepping in and aiding in that by some stabilization means in case of an emergency; but our people are not calling for that kind of stabilization plan, because they feel that the farmers properly organized can take care of that themselves.

They can not do it as quickly as the Federal Government would; that is true.

Mr. FULMER. That might help the farmers in keeping them from selling their commodity all at one time, or in a short period and in getting a more average price. There would not be anything in the other that would guarantee to the farmer the cost plus some profit?

Mr. CROES. No; it would not guarantee him an American price such as he has to pay for his overhead.

Mr. FULMER. In that scheme there would not be any possible chance to add 42 cents to the tariff on wheat?

Mr. CROES. We can not see that there would be.

Mr. ANDRESEN. As I understand it, you do not believe that it is necessary to have a fund for promotion and organization purposes.

Mr. CROES. We are not asking for that in our State.

Mr. ANDRESEN. Did you hear the testimony of the representatives of the wheat pools of Kansas, Nebraska, and Minnesota?

Mr. CROES. No, sir. I heard Mr. Brinton. I did not hear the others.

Mr. ANDRESEN. Do your views differ from the presentation made by Mr. Brinton?

Mr. CROES. I presume they do in some instances. We are not advocating in our State loans for promotion.

Mr. ANDRESEN. That is the only difference?

Mr. CROES. I do not recall now what else you refer to in particular.

Mr. ANDRESEN. There is nothing in particular. I was just wondering if you coincided with his views with the exception of the fund for organization purposes.

Mr. CROES. I would not want to say that we do altogether; although that is a rather broad statement and a rather broad question. It covers quite a lot of ground.

Mr. ANDRESEN. That is all.

Mr. CLARKE. Do you have any occasion to use the intermediate credit banks?

Mr. CROES. Yes; we use the intermediate credit fund very satisfactorily.

Mr. CLARKE. Do you think there should be a shortening of their terms on which they loan money?

Mr. CROES. The intermediate credit?

Mr. CLARKE. Yes.

Mr. CROES. No; I would not think so.

Mr. CLARKE. That is all.

Mr. HOPE. You state that you do not think it is possible to stabilize prices to the benefit of the farmers through a stabilization corporation; is that correct?

Mr. CROES. No, sir; I did not state that.

Mr. HOPE. I want to get your position on that.

Mr. CROES. I think the stabilization corporation could stabilize the price as from the dumping season to a later season. We doubt whether a stabilization corporation would maintain an American price through just the stabilization idea, within our borders, higher than the world price, unless they used something on the equalization fee idea, or the debenture plan or the withdrawal plan, or something

of that kind. We would be interested in any of those that seemed to be practical.

Mr. HOPE. Leaving that out of consideration, you do not think that the various wheat pools need a stabilization corporation through which to operate; is that your position?

Mr. CROES. As we understand them so far, we can not see where the stabilization idea would materially help the wheat pools unless it contemplates making the tariff effective.

Mr. HOPE. Would there be anything gained by reason of the volume which might be handled by the corporation and the bargaining power which that volume might give it?

Mr. CROES. Yes, sir. Perhaps I should correct my last statement. We could see where a stabilization corporation backed by the Government, with ample funds and volume to put into it, could unquestionably influence the price upward. My point was that it would influence world prices upward to a great extent, the same as it would our domestic price.

Now, the volume that you speak of would undoubtedly help. In other words, the stabilization idea, federally operated, would be a great deal the same idea as the original pool idea—farmer operated. It could be more quickly put into operation. The question does arise there whether or not a federally operated movement of that kind might, in a way, deter the development of cooperative movements in the farmer's own field that he can do himself, although I do not want to enter that as an objection. I simply mention that as an argument that might come up.

Mr. HOPE. In your opinion, should the membership in stabilization corporations be confined to cooperatives rather than individual farmers?

Mr. CROES. Yes, sir. I would say, if there is to be a membership, it should be through a cooperative.

Mr. HOPE. There really would not be any incentive for a farmer to go into a cooperative organization which was handling that particular commodity if he could just as well go directly into the stabilization corporation, would there?

Mr. CROES. No; I think not.

Mr. HOPE. And, in your opinion, the commodity cooperatives ought to be built up just as fast as they can be?

Mr. CROES. Yes, sir.

Mr. HOPE. That is the method that you would take toward solving the marketing problem?

Mr. CROES. Well, that is one substantial, safe method—right from the ground.

Mr. HOPE. What, in your opinion, is the main reason why the Canadian pool has been so much more successful than our American wheat pools?

Mr. CROES. That is the point that I wanted to bring out here, and which I hoped to make clear in my earlier reference to the Canadian cooperative development.

Mr. HOPE. You mentioned the fact that they had their physical properties in which to handle the crop. Is that the main reason for their success?

Mr. CROES. Yes, and also this fact: I think there is the erroneous opinion that the Canadian pool sprang up in the last five years from a standing start to an outstanding success; and really that is not true. The Canadian pools were built upon 20 years of very successful regional cooperative marketing experience. The root of those 20 years of successful cooperative operation started back when the Province of Manitoba and Saskatchewan made the first loans to that little unit of 25 cooperatives—or tendered that, and 50 were organized nearly 25 years ago. That little unit expanded until when the pool started the Saskatchewan Elevator Co., a farmers' elevator company, owned 450 locals. The United Grain Growers Elevator Co., another large farmers' elevator company, comprised some 300 locals—there were just two big farmers' cooperative units then in Canada—they controlled the marketing of a large per cent of Canada's crop through this cooperative elevator system. There were just two large regional units; and I think the successful development of those two large regional farmer-owned cooperative units upon which the pool has been built is due to that move on the part of the Province 25 years ago in making those very practical and successful loans on that plan.

Mr. HOPE. When the Canadian pool was organized, did it just take over bodily this property and the membership in these two organizations which you mention?

Mr. CROES. The Canadian pool, when it was organized, really started among the membership of these cooperative elevator associations. They operated for two years as separate units. Then the Pools bought the Saskatchewan Elevator Co.—largely from themselves, you understand. It operates now as a pool elevator company, a subsidiary of the pool organization, which is really one unit with separate departments.

Mr. HOPE. The pool selling organization handles their wheat though, the Pool Elevator Co.?

Mr. CROES. Yes; and the elevator company handles the elevator service.

The CHAIRMAN. What is the name of your organization?

Mr. CROES. The South Dakota Wheat Growers Association.

The CHAIRMAN. There is only one organization in your State?

Mr. CROES. Just one of that type.

The CHAIRMAN. We had one the other day represented by Mr. Brinton.

Mr. CROES. That was in Nebraska.

The CHAIRMAN. There is only one in your State?

Mr. CROES. Yes, sir.

The CHAIRMAN. And only one in each of the other States?

Mr. CROES. Yes, sir.

The CHAIRMAN. You agree with the other witnesses that 100 per cent control of commodities is necessary?

Mr. CROES. And make our tariff effective; yes, sir.

The CHAIRMAN. And you are for making the tariff effective?

Mr. CROES. Absolutely.

The CHAIRMAN. Thank you, Mr. Croes.

The next witness is Mr. Settle.

STATEMENT OF W. H. SETTLE, INDIANAPOLIS, IND., REPRESENTING INDIANA FARM BUREAU FEDERATION AND CENTRAL STATES SOFT WHEAT GROWERS' ASSOCIATION.

The CHAIRMAN. Will you state your name, address, and position for the record?

Mr. SETTLE. W. H. Settle, of Indianapolis, Ind. I am president of the Indiana Farm Bureau Federation, first; and then I am general manager of the Central States Soft Wheat Growers Association, and also president of the Indiana Farm Bureau Purchasing Department, which Mr. Hull, our manager, represented here a few days ago.

Mr. PURNELL. Incidentally, one of the best witnesses that have appeared before the committee.

Mr. SETTLE. He is a good man; I will tell you that.

I am mightily interested, gentlemen, in this farm problem. When you talk about cooperative associations, and organizing them, and so forth, if you had had 8 or 10 years' experience in grappling with those problems, perhaps you would have a better vision as to the problem we are going to have in the future of organizing these cooperative associations.

We have been instrumental in Indiana in organizing some very large cooperative associations. We have not had a single failure. They are all functioning yet. But under present conditions some of them are becoming mightily discouraged, and unless there is some Federal or governmental aid to large-scale cooperative associations in America, you are not going to be able to organize and maintain cooperatives handling surplus commodities.

I challenge any successful contradiction of that statement. You have seen some of the results yourselves. The most successful ones—and they border on our State—the tobacco associations. And there has not been anything suggested here to-day that is going to overcome that, because of the very fact that the benefits that can be brought about through large-scale cooperative associations are participated in by the nonmember the same as the member, he is not required to do anything to receive that benefit, and consequently, after you operate for two or three years, your member on the inside, who is helping to do the job and grappling with it, sees that the man on the outside is getting the benefit, and many times more than he gets, because he pays nothing toward building up the association, and he becomes discouraged in a little while, and he is going to go out.

So I can not see any future for large-scale cooperatives handling surplus commodities unless there is some Federal assistance.

We have in Indiana the largest wheat pool in the United States. We have something over 19,000 members; a few of them in Ohio, several of them in Illinois, and a few in Michigan. We have handled the largest volume of any wheat pool in the United States in any one single year. Last year our wheat crop was a failure in the soft-wheat territory, and we notified all of our members not to ship any wheat to the pool. The fact was that in Indiana, where we have about 32,000,000 bushels produced annually, we had about 6,000,000 bushels last year, and it was very poor grade, and it was practically all used for feed. We had to ship in wheat for seed.

The thing I am interested in is the thing you men are all interested in. I do not think there is any use in talking about the farm problem. You are all aware of that fact.

The President of the United States a few weeks ago could not have gotten a check cashed in my own county for \$5 for an entire week had he been there. We had nine banks closed in one week. Conditions are no better in Indiana. They are worse than they ever were before. Two of those banks in little towns have opened; the rest will never reopen. I felt the effect of it myself, because I had stock in one of them. We closed one prior to that; we paid 100 cents on the dollar to all of our depositors and closed it before the State banking association closed it, because we knew it was inevitable; that it was coming.

So the farm problem is the same as it has always been with us. The first requisite, as I see it, to any sound farm-relief solution is to make the American tariff effective. That is the trouble with agriculture to-day; we have been paying the tariff and we have not been getting it. Under the present system of distribution a 15-cent tariff on wheat would be just as adequate as a 42-cent tariff. It would not make a penny's difference to the farmer of America.

With reference to the problem of setting up the stabilization corporations to handle these surpluses, and so forth, unless you are going to stabilize the price differently from the way it is stabilized to-day, there is no need of a stabilization corporation. The country is full of stabilization corporations to buy when the commodity is cheap and sell when it is high, and you could set up a thousand more to operate on the same basis, and it would not make the slightest difference to the American farmer.

I have drawn up a few solutions here, and I am going to give them to you, and then you can ask me any questions you wish.

First, a Federal farm board with broad powers. I presume we are all agreed on that.

Second, stabilization corporations to purchase temporary and seasonal surpluses.

I want to make this statement: An estimated surplus does as much harm to the farmer's market to-day as a real existing surplus. The very minute there is an estimated surplus of farm crops, the price begins to sag, and so long as that estimated surplus is on the market it does the farmer as much damage as a real existing surplus.

After the stabilization corporations have been set up—and when I am talking about stabilization corporations I mean stabilization corporations that will go on the market and buy when we have gluts on the market, and the price is depressed, and bring the price up to a level that is comparable with the other business interests of the country; and if you are not going to do that, we might as well not have any—then it is necessary that loans by the Government be made to finance these stabilization corporations.

There has been a great deal said about these loans. If we are going to operate on a world-market basis, we might as well go on the way we are going now, because anything you are going to do is not going to raise the American price above the world level price. So there is no need of anything unless we are going to try to give

to the American producer a price comparable to the price he pays for the commodities that he buys in this country, which is the American protected market. We will get the world market price whether you do anything or not. That is what we are getting now, and that is what we will continue to get, regardless of what the Government does, unless we handle the surplus in a different way to the way it is handled now.

If we are going to get anything above the world level price, there are going to be losses incurred by these stabilization corporations. It can not be otherwise. You can not figure out any other way. There is no other way. If you are going to stabilize prices above world levels, there must be losses. There will be losses incurred, and they have got to be made up by a Government subsidy or some other means; and I think I have found another means of making that up.

I studied pretty thoroughly the system carried out by President Hoover during the period when he was food administrator. I saw that he was very wise in licensing all the purchasers of different commodities that he undertook to control; and I have suggested that all purchasers of farm commodities, where the board undertakes to operate and stabilize the price, so that it will be beneficial to the farmer, shall be licensed to deal in these commodities; that they shall be charged a percentage on the volume of business done in operating in these farm commodities, for the privilege of operating. When you have done that you will know all of the folks in the country that are operating under the system. Take wheat or cotton, or whatever it may be. You know who is licensed to operate. He can not operate without a license, because if he does he is violating the Federal statute, and he will not undertake to do that. Then you will get rid of all the machinery that they have been talking about setting up under the old equalization-fee plan, and you will have your revenue coming direct to the board, or whoever it is to come to, from the man that is licensed, and all the machinery that you would need after you had licensed the purchaser of these commodities would be, perhaps, an auditor to go around once a year and see if he had made accurate reports. If he had not done that he could be called on to make accurate reports.

That fund should be used to replace any losses incurred by the stabilization corporations.

Now, immediately you will say, "Who is going to make up for this percentage paid by the operators in these commodities for the privilege of handling them?" I suggest that in a measure it will be passed on, just the same as manufacturing costs, freight rates, and everything else in this country is passed on, to the consumer. The farmer is the only man in America who does not pass on his costs of operating. He may not be able to pass on very much of this under this program, but perhaps a part of it. The fee or the license cost would be made up by the producer, the operator, and perhaps some of it by the consumer. There would be an opportunity there for the producer to pass on a little of his operating expenses, which he can not do at the present time.

The purchaser to pay to the Government board a percentage, as I just stated, and the board to use this fund to replace any losses incurred by the stabilization corporations.

These stabilization corporations would buy during gluts on the market and sell during famine, and finally export what the market would not consume. A great many times our surplus is so ridiculously exaggerated in this country that it causes low prices almost invariably, and if it were properly handled and fed to the market in an orderly way, or the estimated surpluses taken out of the market, this market at home would consume a great portion of those commodities, many times at a price comparable to the tariff that you have on those commodities above the world price, and eventually then you could export what surplus you would have; and every bushel or every unit of any commodity that you are going to export, if you maintain anything like an American price, you know you are going to have a loss. Everybody knows that, if he knows anything.

Exchanges could broaden their field of activities and deal in domestic and foreign futures. You have heard a lot of folks say that under such an arrangement you would put the exchanges out of business. You would not do that at all. You would broaden their field of activity, and I am not so sure that we need the exchanges at times. I think perhaps they have been at times beneficial to our business as well as detrimental at other times.

Adjust tariffs. That is the first requisite, and I will go back to that again. Adjust tariffs on oils and fats to protect the flax grower, the soy bean grower, the peanut grower, the cottonseed grower. In other words, if we had an adequate tariff on the oils and fats and greases that are coming into this country free of duty to-day the acreage that we could put into producing those commodities would almost eliminate the surplus in this country. It would not lack very much of doing that thing.

When you have done that thing—and I want to make this statement before I go on for fear that I may forget it. If we are going to place an adequate tariff on these imports coming into this country and then if you raise the industrial tariffs comparable to the tariffs you put on these agricultural commodities, you are going to put the farmer in a worse condition than he is to-day. That is why we have always suffered; the very minute that agriculture got a tariff that would do them some good we raised the industrial tariff and left the farmer in worse shape than he was before the tariff was enacted.

After this has been done, then there should be a program of education as to diversification by the Department of Agriculture and farm organizations which would tend to balance production and consumption in this country.

Stabilization corporations can handle the business so that we could maintain marginal supplies and still the tariff would be effective. We need marginal supplies in this country. The manufacturers would not be satisfied unless we have them, and it is necessary that we should have them.

But when I am talking about the tariff I would not place the tariff to the point of creating embargoes. I do not think that is practical. I do not think we would want to do that thing, because we want to send our commodities to the other countries of the world, and if we were to place the tariff to the point where it would create an embargo, the good feeling that should exist, would not exist between us and foreign countries.

The farm board should have powers equal to those of the Federal Reserve Board, to prevent evasion of the purpose of the above-set-out proposals.

I am thinking this: There might be a time under such an arrangement when the stabilization corporations would refuse to feed back onto the market at a price which would be comparable to the cost of production, and we might get the price too high and encourage overproduction and create a hardship on the consumer.

The board should have powers at such times as that to require the stabilization corporations to feed back onto the domestic market in order that the price level, which was comparable with other business interests of the country, could be maintained at all times.

The Government should assist in the organization of large-scale cooperatives looking forward to the time when agricultural commodities will be handled on the same basis as those of other industries, as other industries handle and distribute their products.

That is about my story. If there is any question you want to ask me, I shall be glad to undertake to answer it.

I have been dealing with these problems for eight years. We have built up an enormous volume of business in our State.

There is one more thing I do want to mention. I hope that in any farm relief program that is inaugurated, there will be some provision made to help to finance what we call our purchasing departments, so that we can lessen the cost of production. We handle in that department the things that go into the actual production of our commodities, and we are having no trouble in that department at all because we can show immediate results to the farmer, and he is anxious and willing to come in.

We have done a little over \$4,000,000 worth of business this last year and saved the farmer thousands of dollars at the price that all farmers paid, and then we refunded—I suppose Harvey told you—about \$180,000 at the end of the year in patronage refunds, over and above the cost of operating the department.

Mr. PURNELL. Did you want to suggest any provisions that we could incorporate in this bill with reference to the powers of the board, as to how broad they should be?

Mr. SETTLE. It depends largely on your bill as to the powers of the board, what you are going to expect the board to do or what you are going to provide in the bill other than the board. If you are just going to set up a board and stop at that, you have got to give them almost unlimited power, if they are going to deal with this agricultural problem at all. And unless we deal with that problem I can not see any excuse for farm legislation.

Mr. PURNELL. Then you believe the board ought to have wide and almost unlimited powers?

Mr. SETTLE. Yes, sir, I do; because there will be hundreds of problems that come to the board that we do not see now, that they will have to deal with as a board.

Mr. PURNELL. Do you not believe that the mere establishment of such a board in Washington which the producers of the country can recognize as their forum, their clearing house, will, if it does nothing else, strengthen the morale of the producers of the country?

Mr. SETTLE. It will have an effect. If our producers, our farmers, believe that their Government is taking an interest in them and

trying to do something for them, it is going to give them new courage. I tell you, there morale is low.

Mr. PURNELL. Would you care to make any suggestions as to the size of the board, or whether or not it should be selected from a regional standpoint, or anything of that sort?

Mr. SETTLE. There are so many different ideas as to that, I am not penurious about it. I think, after all, the administration is going to assume the responsibility of bringing about farm relief, and perhaps the President ought to have the authority to select the board, because he is going to assume the responsibility now to a great extent.

Mr. PURNELL. Do you not believe that he ought to do it? Do you not believe he ought to have a board that he could appoint without restrictions, one that would have full responsibility and power so that you could at all times fix the responsibility for anything that happened or did not happen?

Mr. SETTLE. If I were President I would want that authority to pick my own board, if I were going to deal with the problem.

Mr. PURNELL. I agree with you absolutely, if we can bring about a proper revision of the tariff we will have gone a long way toward solving this problem.

Mr. SETTLE. That will be the biggest single thing that you can do, if that is done justly and adequately.

Mr. PURNELL. And I also think, although I am not testifying—that a general upward revision would be more harmful than helpful; in other words, if we are going to raise the tariff on agricultural products and then have a corresponding increase on all other products, we will leave agriculture out of joint just as it is to-day.

Mr. SETTLE. Yes, sir; you will have done more harm than good.

Mr. ASWELL. How would the tariff help cotton?

Mr. SETTLE. The tariff will not help cotton at all. But if you set up the stabilization corporations with a fund to hold the crop and market it in an orderly way, you can go a long ways toward stabilizing the world price of cotton, which we can not do in the commodities that we do not handle in such large volume.

Mr. ASWELL. You were here last year and you were strong then for the equalization fee, were you not?

Mr. SETTLE. Yes; I admit it will do the business, but it does not look as if there is any prospect of getting it.

Mr. ASWELL. Are you still for it?

Mr. SETTLE. It will do the job.

Mr. ASWELL. Are you still in favor of it?

Mr. SETTLE. If we could get it, I would be in favor of it; yes.

Mr. ASWELL. Do you think there is a chance of getting it?

Mr. SETTLE. No; it does not look as if there is any chance of getting it. I think the licensing idea is more simple and just as adequate as the equalization fee and it does not assess a tax on any particular person.

Mr. ASWELL. My recollection is that you said last year that the equalization fee was the only way.

Mr. SETTLE. It was the only way that had been advanced to that date, and it is about the only one that has been advanced to this date. I listened to the Secretary of Agriculture in here a while ago

and I can not say that he offered any solution of the problem that we are confronted with now.

Mr. ASWELL. Who did not?

Mr. SETTLE. The Secretary of Agriculture.

Mr. ASWELL. Are you a member of the Corn Belt committee?

Mr. SETTLE. Yes, sir; I am a member of the Corn Belt committee, and I was elected chairman of the legislative committee at the last meeting in Des Moines.

Mr. ASWELL. Are you representing them now in saying that you still favor the equalization fee?

Mr. SETTLE. I am just speaking for the Indiana Farm Bureau now, and the Central States Soft Wheat Growers' Association.

Mr. ASWELL. When you say "Indiana" are you speaking for Fred Purnell, too?

Mr. SETTLE. Yes; I am speaking for Fred Purnell and his constituents.

Mr. ASWELL. That is all.

Mr. KINCHELOE. What few questions I want to ask you I want to preface by saying that we have had more extensive but I do not think we have had a more common-sense statement since these hearings began than the one you have just made.

I heartily agree with you that if you are going to make the tariff effective, and the farmer is going to get an American price for his product, there is going to be a loss.

Mr. SETTLE. There has got to be.

Mr. KINCHELOE. There is no doubt about it in the world. You are going to have increased production.

Mr. SETTLE. Yes.

Mr. KINCHELOE. Your idea is to license the purchaser?

Mr. SETTLE. Yes.

Mr. KINCHELOE. There have been advanced here other theories; that you tax the exchanges; that you put a tax on freight rates. Now, one has been advanced to the effect that we invoke the allotment scheme. Unless you have some system like that you are either going to pay the loss out of the Treasury or you are going to pay it through the imposition of an equalization fee, or through this allotment plan, which is the same principle. No matter what system they use, however, as you say there is going to be a loss. You would not advocate a subsidy out of the Treasury to take care of that loss, would you?

Mr. SETTLE. We never have.

Mr. KINCHELOE. I know you never have.

Mr. SETTLE. If we do that, we have not got a permanent farm policy.

Mr. KINCHELOE. You were in favor of the equalization fee before, were you not?

Mr. SETTLE. Yes, sir. I am for it yet, if we could get it.

Mr. KINCHELOE. I voted for it myself, because it was the best thing we had then. I have always been for the Yoakum plan, what is known as the Curtis-Aswell bill. I think that is the soundest thing that has ever been before us. But, as you say, we are dealing with a practical proposition now.

Mr. SETTLE. Yes.

Mr. KINCHELOE. You said that the only way this stabilization corporation would be able to keep its head above water financially was to buy in time of gluts in the market.

Mr. SETTLE. That would be the only time that I think it would be necessary. If the price level were satisfactory to everyone, there would be no need of the stabilization corporation operating.

Mr. KINCHELOE. If you bought in time of glut, you would have to buy below the American price, would you not?

Mr. SETTLE. They ought not to go in along there and cause all the poor people in the country to get rid of their commodities because they were forced to at a world price, minus transportation, and then fix it so that the fellow who is able to hold his commodity—would get the American price plus the tariff afterwards.

Mr. KINCHELOE. I am not arguing that with you. I agree with you as to that. But, of course, if the board bought it in a glutted market, he would buy below the American price—the price level that is hoped to be built up under your scheme.

Mr. SETTLE. Yes; he would start buying then.

Mr. KINCHELOE. How would you deal in order to be fair, with that farmer who sold his product in the glutted market?

Mr. SETTLE. He would not remain there very long. Whenever the commodity got below what should be an adequate American price level, immediately the stabilization corporation ought to buy and bring it back to that point.

Mr. KINCHELOE. When it gets below that he ought to go out and buy and take the surplus off the market; is that correct?

Mr. SETTLE. Yes.

Mr. KINCHELOE. What I am asking is, how are you going to compensate the man who raised the products that were bought in this glutted market?

Mr. SETTLE. If the board were intelligent and watched its knitting, it would not let it get very far below the price that is going to be recognized as the stabilized price level.

Mr. KINCHELOE. Whatever the price is, I am just trying to see how you are going to take care of all the farmers—equalize all the farmers. Suppose the corporation went in to eliminate the glut in the market and take care of the surplus, but both your crop and my crop were already in that declining market. How are we going to be compensated; how are we going to get the difference between the price at which we had already sold our crop and the American price?

Mr. SETTLE. If the stabilization corporation allows the price to get very much below an adequate price, we would never get it back; that is all.

Mr. KINCHELOE. You do not think there ought to be some provision in the bill to compensate us, in a case of that kind, out of the money that is collected?

Mr. SETTLE. I do not see how you could; it would be very complicated, if you were to do that.

Mr. KINCHELOE. So that you and I would get burnt on that kind of a proposition?

Mr. SETTLE. Yes.

Mr. JONES. Do you believe that stabilization corporations organized under the cooperatives can make a success of the marketing problem without having a replenishing fund to pay the losses?

Mr. SETTLE. No; you can not do it.

Mr. JONES. You spoke of the allotment plan. Are you favorable to the allotment plan?

Mr. SETTLE. What allotment plan have you got?

Mr. JONES. Or a license plan?

Mr. SETTLE. Yes; I am favorable to that.

Mr. JONES. Do you mean by a license plan, a plan whereby you give a grower permission to sell only a certain part of his commodity?

Mr. SETTLE. No. I am referring to all purchasers of farm commodities now. The cooperatives would not pay that license fee until they finally sold in the market. It would only be paid once, and that is on the first purchase.

For instance, we handled four or five million bushels of wheat last year. Whenever we would sell 100,000 bushels the license fee would be payable, but on the wheat that comes in to the cooperative that the cooperative handles there would be no license paid until it was sold.

Mr. JONES. That is just another way of collecting the equalization fee.

Mr. SETTLE. No; it is different from the equalization fee. The equalization fee was imposed back directly on the farmer.

Mr. JONES. The equalization fee that we had in the last bill was to be collected in many instances on the first transportation of a commodity.

Mr. SETTLE. The farmer would pay so much a unit under the old plan. Under the license plan there is an opportunity to pass part of that on, that you are going to collect, to bring about this stabilized price that we are talking about.

Mr. JONES. I was not here during part of your original statement. You mean to pay the license when they actually sell it to the factory?

Mr. SETTLE. I mean every man that is going to deal in farm commodities, that is going to purchase farm commodities, will be required to be licensed by the Government, and for that privilege of operating in farm commodities he pays to the Government a certain percentage on the volume of the business that he does.

Mr. JONES. Would you make the cooperative pay that?

Mr. SETTLE. When they sold; yes. The purchaser to whom they sold would be licensed and he would pay the per cent on that purchase the same as other purchases.

Mr. JONES. The fellow that stayed out of the cooperative would be better off, then. He could sell his direct, could he not?

Mr. SETTLE. No. Every dealer that bought would pay. If I am running a little elevator out here and I bought wheat, or any other commodity that we are handling, I would keep a record of that and I would pay to the Government a certain percentage on the volume of business I did. The big elevator would do the same thing.

Mr. JONES. There is a man in my district who produced 51,000 bushels of wheat last year, for instance.

Mr. SETTLE. Yes.

Mr. JONES. He could sell his wheat—

Mr. SETTLE. To whom would he sell it?

Mr. JONES. He might sell it in various places. He might export it.

Mr. SETTLE. It does not make any difference to whom he sells it, because on the first sale you pay the license fee.

Mr. JONES. I thought you were only going to have the ones that engaged in buying and selling pay the license fee. You would have everybody pay?

Mr. SETTLE. Everybody.

Mr. JONES. It comes back to a new form of the equalization fee.

Mr. SETTLE. It is an entirely new form. It is a different system.

Mr. JONES. You have just put a new dress on the equalization fee and presented it again.

Mr. SETTLE. Not so. It is an entirely different system than the equalization fee. There is a possibility of passing it on the same as you pass on the manufacturing cost, or the transportation charges.

Mr. JONES. If you are going to levy a license fee on all of the commodity that goes into commerce, practically—and under the old bill we attached what we called an equalization fee—it seems to me that this does the same thing.

Mr. SETTLE. Under the old plan you made the farmer pay so much per unit for what marketed. You would have to have a different set of machinery entirely. The machinery that would be set up to collect this fee would be practically nothing, because if a dealer were going to deal in farm commodities, he would take out his license, because he would have to. Then you would know exactly who was dealing in farm commodities.

Mr. JONES. This man to whom I referred, for instance, let us say took his wheat to the local mill, which is just a few miles away from the place he had his farm—

Mr. SETTLE (interposing). Your man could not buy it unless he had a license to buy it, and if he did, that would go in with the rest of the volume that he handled and he would pay a percentage on that.

Mr. JONES. The miller would pay the equalization fee when it got to the mill; that is it?

Mr. SETTLE. You can call it an equalization fee, but it is not an equalization fee at all.

Mr. FULMER. I understood you to say, Mr. Settle, a while ago, that for the cooperatives to be successful it is necessary to have some aid from the Government. Do you mean by that to have the Government help them to market the products of farmers or to help them to set up their organization?

Mr. SETTLE. You have got to make the fellow outside of the cooperative bear part of the expense of making the tariff effective. We have been able to raise the price of wheat 40 cents a bushel in Indiana. When we did that, the fellow outside the pool got the 40 cents, and he did not pay any of the carrying charges that the pool members had to pay to withhold this volume from the markets to raise the price 40 cents. You have got to devise some plan—the Government has—to force this fellow into the cooperative, or devise some plan whereby he is going to bear some of the cost of withholding from the markets these commodities in order to maintain a higher price.

Otherwise, what inducement is there for any farmer to join a cooperative?

Mr. FULMER. It is your belief, then, that there ought to be some scheme whereby the 10 per cent or 25 per cent of farmers that are going to remain on the outside and paralyze your proposition should be forced in?

Mr. SETTLE. Yes, sir. And the fellow that talks about doing it without expense, he does not know what he is talking about.

Mr. FULMER. It is going to be mighty hard to succeed in carrying out your plan, unless you do get them all in.

Mr. SETTLE. The fellow who says it is not going to cost anything has never tried to deal with the problem; he is visionary.

Mr. FULMER. Is it your belief, in establishing this revolving fund and creating this board, that the Congress should have in mind setting up some scheme and providing some fund to assist the buying end as well as the marketing end?

Mr. SETTLE. I think so. I think you ought to make your bill broad enough, and the powers of the board broad enough, to do that thing.

Mr. FULMER. As a matter of fact, one of the reasons for the financial condition of agriculture to-day is that the farmers have not any bargaining power in buying. They are being robbed on practically everything they buy, because they are operating as individuals and not collectively.

Mr. SETTLE. Yes, sir; they have been robbed.

Mr. FULMER. I mean by that, that the cotton farmer, for instance, is paying too much for his fertilizer, and for certain farm machinery, implements, and so forth.

Mr. SETTLE. Yes, sir.

Mr. FULMER. You stated a while ago that there were a number of banks that failed in your part of the country. Those are largely agricultural banks, are they not?

Mr. SETTLE. All in agricultural territory; yes.

Mr. FULMER. As a matter of fact, they are failing in practically all agricultural sections, not only your section.

Mr. SETTLE. I am better acquainted in Indiana than in any of the other States.

Mr. FULMER. The same thing is happening in South Carolina.

Mr. SETTLE. We are having the worst hitch we ever had.

Mr. FULMER. In the meantime, do you not find, Mr. Settle, that the large banks in the commercial centers are merging and controlling the finances of the country to such an extent that agriculture to-day is without productive credit?

Mr. SETTLE. They are doing that thing right along.

Mr. FULMER. In other words, it is more profitable for them to centralize their resources in New York, or other speculative centers, to be used by the speculator at high call-money rates of interest than to fool with the agricultural interests of the country.

Mr. SETTLE. The large banks are merging and establishing branches in the places where the other banks have failed and gone out of business. In our county seat Fort Wayne bankers are establishing two branches now. They just got Federal charters a few

days ago. They are establishing two branches in Blufftown, a city of 5,000 inhabitants. It does not leave us any home bank at all.

Mr. FULMER. And while they will take the deposits of that community it does not mean that they will take care of the agricultural interests or any other interests of that community.

Mr. SETTLE. They can do as they please about that.

Mr. FULMER. Mr. Settle, do you not think it would also be of interest to agriculture if Congress will take into consideration, either through this legislation or by changing the intermediate credit act so as to give more credit for production to the agricultural interests?

Mr. SETTLE. Yes.

Mr. FULMER. Your people to-day are having quite a lot of trouble in receiving credit for production purposes?

Mr. SETTLE. Yes.

Mr. FULMER. At fair rates of interest?

Mr. SETTLE. Yes. And I want to differ a little bit with the gentleman who was talking about longer time loans from the intermediate credit bank. I think there is a need of shorter loans. We need shorter loans. The very fact that we can not get them—we have never used the intermediate credit banks at all; we just borrow all of our moneys from the banks in Indianapolis and New York and Chicago and other centers, because we do not want to make long-time loans, because we can just keep repeating them the other way. I think there is a great need of shorter time loans for the benefit of cooperatives, at least, from the intermediate credit banks.

Mr. CLARKE. I will say, Mr. Settle, that that is the general testimony here of others like yourself.

Mr. SETTLE. It would help us wonderfully.

Mr. FULMER. I have just one other question. In setting up these stabilization corporations, would you give them the power to go on the outside when we would have these slumps in prices and buy up the commodity so as to bring about a fair price?

Mr. SETTLE. Yes, I would set up a stabilization corporation within the cooperative, wherever the cooperative was sufficiently organized and permit them to buy from anyone.

Mr. FULMER. Unless you did do that, if you did not have a sufficient quantity of the commodity within the cooperative association, you could not accomplish anything.

Mr. SETTLE. No; you could not stabilize the price.

Mr. LARSEN. Mr. Settle, what is the percentage for overhead cost in your cooperative association?

Mr. SETTLE. What do you have reference to, the physical handling charges?

Mr. LARSEN. Yes.

Mr. SETTLE. In the handling of our wheat last year, it ran about two and a half cents a bushel, all the overhead.

Mr. LARSEN. You spoke of crop estimates where they indicated a surplus, and said that that had a tendency to depress the market.

Mr. SETTLE. It does it invariably.

Mr. LARSEN. For that reason, do you favor the publication of crop estimates where they indicate a considerable surplus production?

Mr. SETTLE. I do whenever the farmer has control of the marketing of his commodity. Then he needs it badly. As it is now, he is taken advantage of.

Mr. LARSEN. I mean under conditions as they exist in this country to-day.

Mr. SETTLE. It is very helpful to the purchaser of farm commodities.

Mr. LARSEN. You have not quite answered my question. Do you favor that and think it is conducive to the solution of the farm problem, if it is permitted?

Mr. SETTLE. It is not at the present time.

Mr. LARSEN. Then, do you favor it?

Mr. SETTLE. Not until such time as we are going to put the farmer in a position to have a little something to say about the marketing of his commodity.

Mr. LARSEN. You also say, I believe, that you think that loans ought to be made by the Government for productive purposes?

Mr. SETTLE. I think they ought to be handled through the Federal reserve and the intermediate credit banks.

Mr. LARSEN. The suggestion has been made here that it would be impossible to get the men to join the cooperative associations unless we could devise some scheme whereby they could be paid in whole or substantially the whole part of the cost of the article that they turned over to the cooperative association. If you had money to lend for productive purposes, would you not have a sufficient inducement to bring them in before the crop was produced?

Mr. SETTLE. That might be true, but we do not have that problem in our section of the country.

Mr. LARSEN. If that problem existed anywhere, would it be conducive to membership?

Mr. SETTLE. It would be helpful; yes.

Mr. LARSEN. Under your plan of licensing the purchaser of farm commodities—I am very much interested in it, but it seems to me that it is lame or defective in one respect. Mr. Jones pointed out to you that he had one man in his district who produced last year wheat to the amount of 34,000 bushels. Of course, you impose no license on the man who sells, and there is no fee paid by the man who simply sells the product. You only impose it on the purchaser.

Mr. SETTLE. On the purchaser.

Mr. LARSEN. Suppose the producer, instead of selling it to some one here, exported it to a foreign country? You would not get a fee at all on that, would you?

Mr. SETTLE. Not if he exported it himself, but he is not very likely to do that.

Mr. LARSEN. They might form export commodity associations; for instance, a dozen men might combine and sell their products in some foreign country; perhaps it might be in Mexico or Canada.

Mr. SETTLE. He would become an exporter himself, then.

Mr. LARSEN. But he is not a purchaser, is he?

Mr. SETTLE. If that was the first sale, he would be just as much liable to have to pay the fee as the man who bought it afterwards.

Mr. LARSEN. I beg your pardon, that is not true. We are not talking about sales. You were referring to purchases. I am talking about sales. You said the man that sold the product would not pay any tax. This would be a sale.

Mr. SETTLE. It would be the purchaser that paid it.

Mr. LARSEN. But the purchaser under circumstances I mention is a foreigner, a man in a foreign country, over whom we would have no jurisdiction.

Mr. SETTLE. If that man becomes an exporter, he is not doing that under the status of a producer. He becomes an exporter in the market.

Mr. LARSEN. But you have no tax that you can collect on exporters. You do not suggest any method of doing that.

Mr. SETTLE. If that is the first sale, it would be collected.

Mr. LARSEN. You do not collect it on sales; you collect it on purchases. That is what I am trying to have you understand. You said that you would not collect it from the man that did the selling, but from the man that made the purchase, the buyer.

An exporter is not a buyer.

Mr. SETTLE. If that was the first sale of that wheat made in the United States, whoever purchased it would pay the fee.

Mr. LARSEN. But it is not made in the United States if it is sold into export. Take the case of a man living on the northern border of the United States, who sold his wheat in Canada. Your tax does not provide in the first instance for any tax on the man who sells, but only on the man who buys. The man in Canada never comes into this country and you have no jurisdiction over him at all.

Mr. SETTLE. You could state the impossible about anything that would be suggested.

Mr. LARSEN. Is that a possibility, or is not that a probability?

Mr. SETTLE. That is not a probability at all.

Mr. LARSEN. Do not thousands of men in this country sell farm products in Canada and in Mexico?

Mr. SETTLE. We have only one producer of wheat in the United States who produces a sufficient volume so he would become an exporter himself.

Mr. NELSON. Do you think it would be worth while for Congress to spend its time enacting legislation that would work only when we had no crop surplus?

Mr. SETTLE. No; I think you ought to have a farm board established to deal with the agricultural problem at all times.

Mr. NELSON. In other words, are we getting anywhere if every time we happen to make a good crop, say a crop grown on the same number of acres which in the preceding year represented a shortage, or no surplus, prices are depressed below the cost of production?

I ask, are we getting anywhere if every time we happen to make a good crop; that is, a crop grown on the same number of acres which in the preceding year produced only a shortage, or at least no surplus; are we getting anywhere when that crop grown on the same number of acres depresses the prices the next year?

Mr. SETTLE. No; you would have to keep the stabilization corporation so that it would be in a position to operate at any time, whenever it became necessary.

Mr. NELSON. In other words, any machinery we set up must work when there is a reasonable crop surplus?

Mr. SETTLE. Absolutely.

Mr. NELSON. And without that we have not gotten anywhere at all?

Mr. SETTLE. No, sir.

Mr. NELSON. You spoke about the tariff. I believe you said the tariff does not work now?

Mr. SETTLE. No.

Mr. NELSON. And it would not work if it were a dollar a bushel?

Mr. SETTLE. Fifteen cents a bushel would be just as good as a dollar now.

Mr. NELSON. There is one way we might make it work out at a dollar, is there not? If our crop this year is 800,000,000 bushels and we need 600,000,000 in this country, and if the farmers were to voluntarily destroy 300,000,000 bushels of that wheat, it would work, would it not?

Mr. SETTLE. It will work if you feed the balance of it on the market in an orderly way.

Mr. NELSON. And if we had a tariff of a dollar?

Mr. SETTLE. Yes.

Mr. NELSON. There would be a considerable howl go up in this country, would there not?

Mr. SETTLE. Sure.

Mr. NELSON. So any increase that comes to the consumer in giving the farmer a profitable price through the plan you suggested is only a reasonable insurance, for which the consumer should be willing to pay?

Mr. SETTLE. Yes. All the people I have ever talked to—all the labor organizations and other people that I have conferred with—say they are willing to pay it.

Mr. NELSON. I think the average consumer would be willing to pay it, too.

Mr. SETTLE. Yes.

Mr. NELSON. In your opinion, it would not increase the price of bread appreciably?

Mr. SETTLE. No.

Mr. NELSON. I believe it has been stated that the amount of wheat in a loaf of bread is only worth to the producer about 1.1 cents.

Mr. SETTLE. In many cases it would not increase the cost any, because you would handle it through a different system.

Mr. MENGES. Mr. Settle, you say you would license the grain operators?

Mr. SETTLE. All the purchasers of farm commodities.

Mr. MENGES. Would you use the license for the purpose of allowing the farmer to finance his operations?

Mr. SETTLE. I would have a certain percentage paid to the farm board for the privilege of operating with these farm commodities, and I would use that fund to make up the losses incurred by the stabilization corporation in maintaining the price level.

Mr. MENGES. That would be charged back to the farmer, would it not?

Mr. SETTLE. Perhaps some of it would, and perhaps some of it would be passed on. Some of it would come out of the profits of the operator.

Mr. MENGES. If you do not expect it to be charged back to the farmer, you would have to control all the selling operations down to the consumer, would you not?

Mr. SETTLE. Not necessarily so. The dealer goes in and buys his commodity at wholesale to-day, does he not? Then he sets up the

margin he wants to make on that and passes it on to the consumer. Why not do that in the case of wheat, rye, flax, or anything else, and handle them just as other commodities are handled to-day? Everybody passes it on except the farmer; he passes on nothing. The dealer knows he has to pay to the Government a certain percentage, and then he is going to make his prices so that they will clear him of that percentage and allow him to make a reasonable profit.

Mr. MENGES. Then you would stabilize the prices before you would sell, would you?

Mr. SETTLE. Sure, I would.

Mr. MENGES. At what point?

Mr. SETTLE. At a point comparable to the prices of other commodities that the farmer had to buy. I do not think you would be safe to go above that point. The tariff would regulate your price then, and whatever Congress fixes the tariff at is to be the price. You would not get the full benefit of the tariff, perhaps never, but would get close to it.

Mr. MENGES. You said you would make the tariff the yardstick?

Mr. SETTLE. Of course I would. And that is what is supposed to be the yardstick now, but it does not work.

Mr. ADKINS. When you were here before, you went along with the equalization fee?

Mr. SETTLE. Yes.

Mr. ADKINS. You found that that was out of the picture, and then you thought of this as a substitute to take the place of that?

Mr. SETTLE. I will tell you how I came to think about it. We passed a State law in our State this year licensing chain store and other dealers, and it worked out so nicely that I thought it would be a fine thing here.

Mr. ADKINS. I think you and I are practical enough to know that there is no chance for this at this time, and we are up against a practical proposition. It is thought that we ought to have a stabilization board with an appropriation. Do you not think that we had better take what we can get and then after that has been working probably we can get this later, when we find out what is wrong?

Mr. SETTLE. I would get as much as I could.

Mr. ADKINS. Do you not think we should get started on something?

Mr. SETTLE. I would get all I could; I would try to get something that was real tangible.

Mr. ADKINS. When we know the cards are stacked against us we ought to take what we can get, as much as we can get.

Mr. SETTLE. Yes; I would get as much as I could.

Mr. CLARKE. You are associated with Mr. Peak, are you?

Mr. SETTLE. I used to be; I have not seen Mr. Peak since the election.

Mr. CLARKE. He followed the principle of nabbing all he could, did he not, from Mr. Raskob?

Mr. SETTLE. I have not heard about that.

Mr. CLARKE. You are preaching the same gospel.

Mr. BRIGHAM. Did I understand that you suggested some program of production adjustment in order to avoid the burdens of a surplus?

Mr. SETTLE. Yes; I think the Department of Agriculture and the farm organizations ought to carry on a program of education to try to educate the farmers to adjust their production to consumption as

nearly as possible, and if we get sufficient tariff on imports coming into this country it will take up a great part of the acreage producing our surplus now.

Mr. HOUSTON. I want to make this observation, that on sugar we have the benefit of the full tariff, but there is so much sugar coming in that it is being sold at below the cost of production.

Mr. SETTLE. I would raise the tariff a little higher.

Mr. HOUSTON. That is the stuff; that is what we are hoping for. That is what will do the business.

Mr. SETTLE. That is what will do the business, and Mr. Hoover said the American farmer is entitled to the American market, and you can not give it to him unless he has a sufficient tariff to give it to him.

Mr. PURNELL. Mr. Barrett, we will be glad to hear you now.

STATEMENT OF CHARLES BARRETT

Mr. ASWELL. Mr. Barrett, will you tell the committee how many times you have settled this question in the last 50 years?

Mr. BARRETT. Gentlemen, I could not say precisely and exactly how many times, but some few hundred times. Does that answer the question?

Mr. ASWELL. That is a very good answer.

Mr. BARRETT. A gentleman by the name of Roosevelt asked me to settle it once, and I have been at it ever since.

I would be very happy if I could be of some assistance to you gentlemen in the solution of this problem. You want to do the right thing and I know it.

I have known most of this committee for the last 15 or 20 years. I knew some of you before you came to Congress.

You have had enough said here and you have heard enough to solve all the agricultural problems of the world for all time. In fact, the trouble is this business of agriculture is the only business in the world that everybody in the world knows all about.

We are going to have a board and we are going to have some money. I would give the board broad powers, as has been suggested, hoping that they would not take in too much territory. There is a great deal of danger there, the field is so promising.

I believe if they would help those farmers who are trying to help themselves that would be the thing. If I were you, I would not appropriate any money, or I would not authorize any appropriation for organization. This Government can not organize the farmers; the United States can not do it; you would get into trouble. Let the farmer go ahead.

The person who says that there is nothing in organization, that you can not organize the farmer, and that if you organize him he will not stay organized, and all that sort of thing, is a little bit mistaken. The impossible has already happened, the amazing thing. Fifteen or twenty years ago we had practically nothing in the way of co-operation. To-day it is fairly well known that it has run up to about \$2,000,000,000 worth of cooperative business. Whoever heard of the like, to take the sort of folks that we have got and come from nothing inside of 15 years to a \$2,000,000,000 business?

We have made lots of mistakes and had lots of failure, but if you will encourage the existing organizations and do nothing else, that is what I would do. I would help those who are helping themselves. If you go to doing anything else you will get into trouble. There will be more promoters when this law is passed and the board is set up and the \$300,000,000 is there waiting to be used—there will be more promoters than you ever heard of. I have seen some of them around in this room, with great, big, high-sounding names here, representing nothing or nobody, and never will represent anybody, and they will go about to organize the farmer.

These commodity organizations and general farm organizations have made a good start, and to say that there is no hope—why, if they do as well in the next 10 or 15 years as they have done in the last 10 or 15 years they will do very well. They should quadruple their business in the next 10 years.

Mr. ASWELL. Have you not had some experience in diversification?

Mr. BARRETT. Yes, Doctor; to some extent. Diversification is all right as long as it is all right.

Mr. ASWELL. I am glad you have explained your position on that.

Mr. BARRETT. There are a lot of fellows down here who have said something about my side-stepping. I wanted to let them know I am here.

I do not think you ought to do anything but help those who are helping themselves.

There are a lot of fellows who went through hell to get to where we are to-day; and there should not be anything done to retard the progress being made.

Mr. WILLIAMS. You say you know what the committee is going to do now in the way of a bill. You approve of what the committee is going to do?

Mr. BARRETT. Mr. Williams, I said a while ago I liked you, that I believed in you.

Mr. WILLIAMS. I think it would make us feel very much encouraged if you would commit yourself on that point and give it your unqualified approval.

Mr. BARRETT. All right; if we get the right sort of a board, that will not want to do too much and is careful about not interfering with the existing organizations, and will work hard enough to encourage these organizations; if you get the right sort of a board and committee, it will be one of the biggest things ever done for the American farmer. If you do not, may God have mercy upon that poor devil, the American farmer. That is all there is to it.

Mr. WILLIAMS. I think you are right. I think a great deal depends on the ability and the fidelity with which the board performs its duties.

Mr. KINCHELOE. Mr. Barrett, I was not here when you started your statement. Is it your idea that the only legislation necessary is to continue to promote cooperative marketing?

Mr. BARRETT. No, sir; I think the farmer ought to have a square deal in the tariff. That is not cooperative marketing. Maybe there ought also to be development of waterways provided for. That will help some. I know lots of things that will help a little, but none of them would solve the problem, no single thing.

Mr. KINCHELOE. Of course, this committee has no jurisdiction over that. I mean, as far as the activities and powers of this committee are concerned, you think the greatest thing we could do for the American farmer would be to pass some kind of a bill that would continue to promote cooperative marketing in this country?

Mr. BARRETT. Yes, sir; to continue to promote cooperative marketing.

Mr. KINCHELOE. I know we have had lots of failures, but just think what the farmer has had to do in this brief time. He has had to contend with the most contrary and independent bunch of folks in the world, and he has had to contend with more scoundrels than you ever heard of.

Some would say we may only have 10 or 15 per cent of the farmers in the organizations. If this board would work hard enough in assisting the cooperatives, that would induce the other fellows to come in.

Mr. KINCHELOE. In what way will a bill we pass assist cooperative marketing, by additional financing?

Mr. BARRETT. That will help some.

Mr. KINCHELOE. And additional education?

Mr. BARRETT. Oh, I do not know about that. The farmer has sense enough. He knows what his duty is. There is not a farmer in America but what knows he ought to be in an organization.

Mr. KINCHELOE. That is true, but the fact is, as you know, that a lot of these cooperatives have failed from one cause or another. But that is too long a story to go into.

Mr. BARRETT. Mr. Kincheloe, if you will pardon me, I do not think the farmers ever had any greater percentage of failures than the balance of the world has had.

Mr. KINCHELOE. That is true, but the point I am trying to get from you—

Mr. BARRETT (interposing). Pardon me; I think I know why most of them fail. We will get over that by and by.

Mr. KINCHELOE. What do you think is the major cause of their failure, lack of finance, lack of business judgment, or rascality, or all of them combined, or none?

Mr. BARRETT. All of them combined and a lot more besides.

Mr. KINCHELOE. What additional cause can you give?

Mr. BARRETT. Well, there are so many great big fellows who have made a success in some other line that they go in and feel quite sure they can handle this proposition, as they say, with "My brain and my ability; and the proof of it is what I have done." But you do not get at the farmer that way. You have to manage the producer as well as the product. That is a very much bigger proposition; that is, the handling of the producer is a much bigger proposition than the handling of the product. If you can handle the producer, it is not much of a job to handle the product. It is 10 or 15 times as hard—and I am not exaggerating—a job to handle the producer than it is to handle the product.

These very men you have in mind right now in your own part of the country, had an idea because of their weight that they would lead this thing right on down, and there are some pretty weighty fellows there. If they had realized this fact, as your humble

servant does, that the big job was the handling of the tobacco grower instead of the tobacco, they might not have failed.

Mr. KINCHELOE. Take, for instance, Mr. Stone, who I understand is to be here to-morrow, the head of the great Burley Tobacco Association, one of the greatest executives, I think, in this country. He made a wonderful success out of it. I think he will tell you to-morrow that the greatest and probably the only reason for their failure was not lack of finances, not lack of an executive organization, but the fact that the percentage who were in would not stay in as long as the fellow on the outside could stay out and get the benefit without paying any of the cost.

What kind of a bill could we pass here that would assist the farmer board in preventing that sort of difficulty?

Mr. BARRETT. I do not know that you could pass any bill that would prevent that.

Mr. JONES. You think that any provision for loaning money should be made so that the money could be loaned on a sound basis, or do you think there should be a more liberalized loan provision that would give a greater opportunity for making loans than normal commercial channels?

Mr. BARRETT. I would liberalize it a little.

Mr. JONES. Would you do that both in connection with the facilities and the marketing of the commodity itself?

Mr. BARRETT. I believe I would.

Mr. JONES. You spoke of the tariff and said that the tariff on some commodities would help. Do you know of any way of making the tariff effective on a commodity of which we produce a surplus?

Mr. BARRETT. I understood somebody to say a while ago that that was not in at this particular time.

Mr. JONES. I think you are probably correct on that, and I do not know that that question is exactly a fair one. But I just direct attention to the fact that the tariff system makes the man who produces a surplus of a commodity pay his share, and I know of no way in the normal handling of the tariff by which he gets that back.

Mr. LARSEN. Mr. Barrett, I understood you to say one of the difficulties, or the main difficulty, is trying to keep the farmer from being farmed by those men who go out and organize them in an undue way, taking advantage of the farmer; is that the idea?

Mr. BARRETT. Exactly so, Judge.

Mr. LARSEN. And you think that if the farm board really functions as a farm board, that is, if the administration of the law enacted is all right, the farmer will get considerable relief under the legislation which is likely to be passed?

Mr. BARRETT. Yes.

Mr. LARSEN. It depends more on the administration of the law just at this time than anything else?

Mr. BARRETT. Yes.

Mr. FORT. I was interested in your statement that cooperative marketing had grown from nothing to \$2,000,000,000 business a year—in how many years?

Mr. BARRETT. About 15 years, somewhere along there. I do not want to be misunderstood. There was some of it before that, but the bulk of it, I do not know exactly how much, but making a rough estimate I would guess at least 75 per cent of it occurred in the last

15 years. I would guess that at least 75 per cent of it has occurred inside of 15 years.

Mr. FORT. I was interested in that, and it occurred to me, when you made that statement, that that was a much more rapid rate of growth than has occurred in the automobile industry. In other words, the farmers in 15 years have built up their own business agencies to a greater extent than what has been regarded as the most marvelous industrial growth in history. Now, they have done that under their own management, with very little help?

Mr. BARRETT. Yes, sir; and in the face of lots of obstacles. They have had to contend with their friends.

Like those Judge Larsen spoke of as friends. Those are the friends I have referred to, or the professional promoters.

Mr. FORT. The idea generally is that since they have been going forward and making such remarkable progress on their own account we should simply try to smooth the path for them in such a way as to leave them to work out their own problems, more or less, undisturbed.

Mr. BARRETT. Yes; if you establish this board, let the board serve when it is called upon for help. Something was said here about the power of prestige of this greatest Government in the world; and, of course, that would be a most encouraging thing. As you know, it was only recently that this Government condescended to O. K. the organization movement, or the cooperative movement.

Mr. FORT. Then, if we place the stamp of approval of the Government of the United States on cooperative marketing as a scheme for the farmers in handling their own problem, you think that psychologically it will help the growth of the cooperative system.

Mr. BARRETT. The psychological effect should be very fine.

Mr. ADKINS. Speaking about failures, I have seen various estimates of that, and it has been stated that 75 to 90 per cent of all our business men fail. Now, during the time that the cooperatives have been in operation, they have not had that percentage of failures, have they?

Mr. BARRETT. No; when we have a failure we make much more noise about it than other folks do. A farmer can make more noise over a \$15 failure than a business man would make over a \$15,000 failure. He does not mean any harm by that. We have several thousand cooperative institutions in this country to-day that are coming along pretty well.

Mr. CLARKE. I would like to ask you about the set-up of the board: Do you believe that the board to be set up under this law should be political?

Mr. BARRETT. No, sir; I do not know what you mean by "political."

Mr. CLARKE. That is, to assign so many members from one party and so many members from the other.

Mr. BARRETT. No, sir; I would not do that. I would not divide the country up, either.

Mr. CLARKE. You do not believe it should be regional?

Mr. BARRETT. I do not believe it should be regional.

Mr. CLARKE. You think that the President should be given full power to appoint on the board such men as he, in his wisdom, and

with sympathy for the farm problem, might see fit to appoint, and that they should given full power to function?

Mr. BARRETT. I do.

Mr. CLARKE. Amen!

Mr. HOPE. How large a board do you think would be desirable?

Mr. BARRETT. I do not know. If you get a big crowd together, sometimes you have a hard time in starting. I would have 7, 9, 11, or some other number.

Mr. HOPE. You do not think that the matter of size is of much importance?

Mr. BARRETT. No; the all-important thing is to have the right sort of men, whether you have 5, 7, 9, or 11.

Mr. HOPE. Do you think that men ought to be appointed on this board because of their knowledge of any particular commodity in the field of agriculture, or because of any particular experience in any line of agricultural endeavor?

Mr. BARRETT. I do not know that I would.

STATEMENT OF HON. CHARLES I. STENGLE, EDITOR OF THE NATIONAL FARM NEWS

Mr. STENGLE. Mr. Chairman and gentlemen of the committee, I do not know that I have any particularly good excuse for taking up your time this afternoon other than the fact that I have a few thoughts in my mind for your record.

I appear before this committee with no new ideas as to how best to bring about honest farm relief, but rather to make a few observations, based upon what has already transpired concerning this all-important subject. It is a self-evident truth that the House Committee on Agriculture has already been supplied with sufficient plans and specifications to fill the average library with material enough to satisfy the minds of the most fastidious thinkers and to gratify the greatest Utopian dreamers. As I view the panorama of public hearings, held by this committee during the past six years, and recall the many most peculiar suggestions made by what appeared to be sincere advocates of agricultural emancipation, I stand in wonder and amazement at the most remarkable patience and forbearance always displayed by this committee. Surely you must be sincerely desirous of helping the American farmer, else you would have long since given up in despair and turned your attention to less complexing and more easily solved problems.

I therefore, first of all, want to compliment each and every member of this hard-working body of national lawmakers on your tremendous effort to salvage our basic industry for the benefit of mankind in general and our own people in particular. I speak not as an idle jester but rather as a close and keen observer of your activities during the entire period through which this great subject of farm relief has passed. The records will show that I supported and voted for the first McNary-Haugen bill, when a member of the 68th Congress, and my subsequent duties, as the editor of a national farm newspaper, have kept me in closest touch with your labors. Although I lay no claim to representing any large body of farmers, my weekly communion with 300,000 soil tillers, both editorially and through the medium of correspondence, leads me to feel that I am

expressing their thoughts, when I say that you deserve the highest praise for your sincerity of purpose and well recognized desire to faithfully serve your country, by trying to make it possible for every American to have an equal opportunity for the enjoyment of life, liberty, and the pursuit of happiness.

I deeply regret, as we approach the hour when victory seems in sight, that Thomas L. Rubey, John McSweeney, and Fletcher B. Swank are not here to share with you in its fruits, for they, like you, always worked unceasingly for the cause of honest farm relief and shared the bitter criticisms so frequently leveled against this committee by those who knew little but talked much about your work. To me, it is a source of great satisfaction to find in their places such stalwart friends of agriculture as Elbert S. Brigham, William W. Larsen, and William L. Nelson, for I thereby know that the righteous cause for which you toil is still in safe and sincere hands.

Time will not permit me to make any extended review of your labors for farm relief during the past six years; but I can not refrain from observing the great change in public sentiment toward this cause since first you began your efforts to bring about better days in the farm homes of America. Six years ago, to be a friend and advocate of farm-relief legislation marked one as being somewhat short in mental caliber and void of interest in the welfare of the consuming public. In the city district, which I then represented in the House of Representatives, I was labeled as a fit subject for an insane asylum, because I dared to join with you in a sincere effort to save agriculture. What a change has taken place since that time. Only yesterday, we sat here and listened to a New England manufacturer plead for better things for the cotton farmers, evidencing most plainly that business men generally now see the utter futility of trying to carry on successfully without giving an equal chance to the tillers of the soil, who, in the last analysis, are the manufacturers' best customers.

Political parties, six years ago, seemed little interested in farm relief, other than to offer platform planks which they never intended to make good. To-day, we find political leaders of all parties vying with each other in their effort to hasten the day when foreclosure sales and unpaid bills for the necessities of life shall no longer afflict those who feed and clothe the Nation.

A few days ago, some of our special newspaper correspondents informed the country that the Committees on Agriculture of Congress were unable to write a decent farm relief bill, because President Hoover had said that he did not intend to prepare one and send to Capitol Hill for them to approve. Such rot is unworthy of these usually splendid students of human abilities. I know this committee, individually and collectively, well enough to say, without fear of successful contradiction, that you have not a single member who is not as capable of preparing farm relief legislation as any other man in America. The best proof of this will be found on April 15, when your devoted chairman will offer to the House the measure which you gentlemen decide is best fitted to meet the demands of the hour.

Now, just another word. This committee is about to reach the end of its public hearings and enter upon an executive session for the

purpose of drafting the 1929 model farm relief bill. As you do, the farmers of America, with implicit faith in your ability and courage and without expectations of receiving the impossible at your hands, will await results with visions of hopes and prayers for success. It is foolhardiness for any of us to expect the fullest fruition of all our desires and ideals in the legislation you propose. We have complete knowledge of your metes and bounds. Very few, if any, laws are ever so completely enacted that amendments will never be needed. This is especially true of experimental legislation such as is now before you. It is therefore not to be expected by fair-minded men that your proposed bill will prove to be the very last word on farm legislation. Give us a sound and safe starting point, a set-up of workable administrative machinery, from which may flow opportunities now denied our farmers. Make it possible for those who toil earnestly and faithfully in the fields of America to walk side by side with other industrialists and to enjoy with them some of the profits produced by the performance of duty and the exercise of business wisdom. Whatever you do, be it little or much, do it with an eye single to the future welfare of our beloved country and the comfort and happiness of its people, not forgetting that of that number 30,000,000, or one-third, toil and serve that the other two-thirds may have food for their tables and clothes for their bodies, and therefore richly deserve their full share of any benefits to be derived from legislative action.

I have no desire to match wits or wisdom with you gentlemen, but may I not conclude by suggesting that if you will take the party platform indorsed by the electorate last November, the speeches of President Hoover, made during his campaign for election to the high office which he now occupies, the suggestions of Secretary Hyde, and the remarks made here before your body by former Representative Sidney Anderson and President J. L. Coulter, of the State Agricultural College of North Dakota, you will find sufficient material from which to prepare a most excellent piece of farm legislation.

Mr. PURNELL. There are two or three witnesses present who have been here several days waiting for an opportunity to be heard. We have a little time remaining, and the committee has decided to hear Mr. Booth and Mr. Byrnes for five minutes each.

We will be glad to hear you now, Mr. Booth.

STATEMENT OF EDWARD H. BOOTH, WASHINGTON, D. C.

Mr. BOOTH. Mr. Chairman and gentlemen of the committee, I simply want to resubmit my plan that I submitted at the last Congress, as reported in the hearings of the Committee on Agriculture, Seventieth Congress, from January 30 to February 1, 1928, serial 9, No. 3. That contains a full statement of my plan. I just want to bring it a little bit up to date, but I shall not take more than a few minutes of your time.

The first thing I want to say is that I have sat here listening to what has been said to-day, and I have been studying all the time as to what could possibly be gained by relief to the farmer, when, at the same time, everything that is done to relieve him contributes to his harm. If you do anything to help the farmer, you make farming more profitable, and consequently you bring more into

service, and it operates to his harm. Therefore I really do not understand what relief, or farm relief, can mean as it is under consideration now. I have noticed, however, that it seems to be unanimous with all to favor the cooperative marketing system.

I want to say right here that in my first address before this committee I made use of the remark that I did not believe in cooperative farming. I want to retract that now—not that I have changed my mind in any way, but simply because I find that the very plan I am submitting is really that thing, while all the other cooperative farming I have seen has not been really cooperative farming. I am heartily in favor of cooperative farming. Now, then, very briefly stated, my plan is as I have submitted it previously, and that is that every city establish a cooperative farm center, and that there shall be a board at each city consisting, as I say here, of three persons, with whom all the farmers within a zone of 25 miles of that city that intend to market in that city shall register. All those who register will be protected in a minimum price, and the products that the farmers shall bring to them shall be sold to the consumer at just exactly what they pay for them. Now, that is the sum total of my plan, and I contend that that is really cooperative marketing of the very highest order. It will be of great help to every farmer to have that, and it will be of great help to every consumer to be able to buy farm produce at the price that the farmer gets for it instead of paying 400 per cent more, as he does now. So far as I can see, the prices of farm products are too high instead of too low to the consumer. What we want is some method by which the farm products can be distributed to the consumer so that he can get them at the price that the farmer gets for them, instead of having to pay the grocer 400 per cent more. I think that is very important. It all depends simply upon the establishment of some system of distribution. With our abundance of trucks nowadays, it seems to me that it would be a very simple thing to do that.

Now, I contend, in the second place, that that system will serve as a stabilization of prices. It is practically certain that when the farmer is to get a minimum price, there will be no one in the market who will take less than that minimum price, so it will stabilize the market at that price.

Then, in the third place, it will serve as a center in the country for storing the surplus, and it can be dealt with by the people as it is. That covers that phase of it.

Since my statement was made here, I want to state that I have introduced my plan pretty nearly all over the United States. I have written to nearly all the governors of the States, and have received most flattering replies from them. I will be glad to read them, if you have time, or if you want to hear them. At any rate, I will just read two them. One is from the Governor of Delaware, as follows:

MY DEAR SIR: I have just finished reading your statement before the House Committee on Agriculture. Your idea is no doubt original and it merits careful thought. Whether it could be applied or not is, to my mind, questionable and can only be determined by actual experiment.

Sincerely yours,

C. D. BUCK, Governor.

Mr. PURNELL. I should hardly regard that as a complete indorsement of the bill.

Mr. BOOTH. Not a complete indorsement, and I did not ask them to go further and state their views. It is an indorsement in this way: That he says it merits careful thought.

I will now read a letter that Governor Byrd, of Virginia, has written me:

DEAR MR. BOOTH: I acknowledge receipt of your letter of February 23, with inclosure. I am taking the liberty of transferring this to the chairman of the recently appointed farms commission, and I know that he will be very glad to give careful consideration to your views. It was very good of you to write to me.

With very best wishes, I am,

Sincerely,

HARRY F. BYRD, Governor.

That is not a complete indorsement of it. That is true; but I get a letter from the chairman of that committee, and he says this:

I shall take pleasure in handing this report to our committee on national relationships, which consists of three members of our commission appointed by us to consider all matters connected with Federal legislation. I, of course, understand that your plan contemplates action by the States, but I agree with you that if we could secure action by the Federal Government it would aid in securing State action.

I thank you for your attention.

Mr. PURNELL. The next witness is Mr. Byrnes.

STATEMENT OF JOHN M. BYRNES, ST. PAUL, MINN.

Mr. PURNELL. State your name and residence, and whom you represent.

Mr. BYRNES. Mr. Chairman, my name is John M. Byrnes, St. Paul, Minn. I do not represent any organization. My plan is drafted entirely for the benefit of agriculture at large, and I appeal to all the national farm associations to give consideration to my bill.

I would like to read the brief address that I have written here, and I would like also the privilege of reading my plan, if that, is permissible.

Mr. PURNELL. My Byrnes, under the rule adopted by the committee, discussions before the committee are confined to plans rather than discussions of conditions.

Mr. BYRNES. Well, this is a very long-winded plan, and it would be worth your while to hear it.

Mr. PURNELL. I think you had better devote your remarks to your plan.

Mr. BYRNES. That is what I intend to do.

Mr. PURNELL. You may proceed in your own way.

Mr. LARSEN. Mr. Chairman, as I understood, the witnesses were given five minutes each. I would suggest that if you confine him to that time, he can incorporate his plan in the record as well as his brief.

Mr. BYRNES. I do not quite understand why I should be cut off with five minutes when the limit has been 30 minutes.

Mr. PURNELL. That is the maximum limit for witnesses appearing as individuals, and the program committee has been given the power to determine the time that should be allotted to witnesses.

Mr. BYRNES. Five minutes or 10 minutes is not nearly sufficient time to give you a fairly good idea of what the plan is; and I have an exhibit here, a map, that I would like to show you and explain. I would like to go over until to-morrow if I can have sufficient time then.

Mr. ANDRESEN. Mr. Chairman, if the witness does not desire to proceed, I raise the point of order.

Mr. BYRNES. I am willing to proceed.

Mr. PURNELL. The time has been running right along. You have used nearly five minutes now. I do not want to cut you off or be arbitrary about it.

Mr. BYRNES. The brief which I have prepared is as follows:

BRIEF ADDRESS ON THE SUBJECT OF AGRICULTURE

WASHINGTON, D. C., April 3, 1929.

SECTION 1

Mr. Chairman and gentlemen of the Committee on Agriculture, farm leaders, executive representatives of farm organizations, and individual farmers, the boys down on the farm and plantation industries, it is a source of much pleasure for me at this time to be accorded not only the privilege but a rare opportunity of addressing a distinguished body of National Representatives of the Congress of the United States, as the Committee on Agriculture, also the national farm leaders of a number of farm associations and other representative organizations of the farm and plantation industries of this great and prosperous Nation on so important an occasion.

The chief purpose of my brief address at this time is to place before the honorable House Committee on Agriculture, the national farm leaders and their associates, a feasible, economical, concrete, and extensive plan of farm relief, coordinated with a Federal farm loan certificate system, which bears the title name of "A consolidated, Federal farm relief measure and farm loan certificate system," consisting of three title acts, which will be hereafter fully outlined as drafted under the provisions of my perfected plan.

In submitting my plan I wish to further state that it has been devised specifically for the benefit of the needy farmers of this great Nation at large and essentially to bring about, if possible, a complete reformation of agricultural conditions in a reasonable period of time.

One of the principal objects of my consolidated plan is to make it as easy of comprehension as possible by all the members of the organizations who would be engaged in the operation of it, as also all the rural population of the various States, whom it is hoped may find it to their material advantage financially and educationally to become members of a great national farm marketing association that will eventually result in placing them in a position whereby they will be adequately rewarded for their perseverance, loyalty, and true co-operation in the readjustment of the past and present unsatisfactory conditions that beset our national agriculture.

Under my revised plan of a consolidated farm relief measure and farm loan certificate system there would be no occasion for commodity advisory councils, export corporations, stabilization corporations, corporate directors, nor cooperative associations of any kind. No stock to be sold to any of its members. No loans of any kind except the seasonal Federal loan certificates that would be mailed direct to all members of the farmers' national agricultural marketing association by the executive treasurer of the Federal national executive organization for a short period of six months at a low rate of interest of 4 per cent per annum, which would give them another rare benefit of a 2 per cent rate of interest for their short-time loans of six months, besides the convenience of such loans, by simply making a request for same on printed blanks that would be furnished them for that purpose by the traveling organizers or solicitors.

A still further benefit in connection with the interest rate of 4 per cent per annum would be accorded the farmers (members only) under this plan. The

average rate of interest paid each seasonal crop year by the farmers at large is $8\frac{1}{2}$ per cent per annum. Under this new loan plan the interest on a \$500 loan would be but \$10 for six months, while the interest under the plan of loans from country banks in effect at the present time would be \$42.50 per annum; but if for six months only it would of course be but \$21.25. However, in either case there is a wide difference in the interest cost in favor of the farmers.

SECTION 2.—PERMANENT, UNIVERSAL RELIEF TO AMERICAN AGRICULTURE

In taking up the question of relief to our national agriculture, I have found it necessary to consider that all-important subject from various points of view.

Following that line of thought, it has led to the conclusion that the first and no doubt the most essential feature of a project of that nature is, to first determine to a reasonable degree in what manner the producers of specific agricultural surplus commodities would be benefited from the formation of a suitable, sound plan, that would adequately provide for the necessary means and facilities to successfully operate a feasible, economic, concrete system of centralizing and concentrating the seasonal accumulation of surplus farm and plantation commodities, and later to coordinate such means and facilities with the lines of rail and water transportation leading in an easterly and southerly course, in the direction of the Atlantic coast and the Gulf of Mexico, also from the Northwest territory at the source of the Mississippi River, and eventually the Missouri River from its source or at least the farthest points of water navigation in the States of Montana, North and South Dakota, thence in a southerly direction to St. Louis, Mo., with the junction of the Mississippi River, thence to Pittsburgh, Pa., via Cairo and the Ohio River. The outlet to Baltimore, Md., for export, would be rail transportation via the Baltimore & Ohio Railroad, a distance of but 302 miles.

Without definite and permanent provision for these essential water and rail fundamentals, as mentioned above, it seems obvious there can be little or no economic success in the handling and final disposition of agricultural surplus commodities, except by use of the inland waterways transportation system in connection with a short-haul rail connection to reach the Atlantic coast for export, as also a direct water line to the Gulf of Mexico. A system of transportation as described herein, paragraphs 1 and 2, together with the location of numerous spacious regional district operating facilities at vantage points on either bank of the Mississippi River would no doubt serve to mitigate the producers present high cost of marketing their staple agricultural surplus products to a material extent.

The answer to the foregoing question and outline of facilities and transportation, paragraphs 1, 2, and 3, I believe can be readily understood as the farmers (members only) would be the first to receive material benefit from such a system, by reason of the short line rail rates on their agricultural surplus commodities, moving from point of origin to the regional district operating facilities, instead of being obliged to ship to a central market on a long or possibly a short-haul freight rate. They (farmers) would also receive full benefit of practically free service in the handling of their surplus commodities at the regional district operating facilities, together with practically free insurance on the facilities and their contents. Still further they would receive the benefit of advances in the current market prices on a steadily graduated and stabilized basis, the details of which will be fully outlined in a code of by-laws that will be drafted by the general manager if this plan is given consideration by Congress and is later ratified by the President of the United States.

Another rare benefit to the farmers under this new and unique plan would be, that all shipments of wheat or other grain received at the regional district operating facilities, would be paid for in full on basis of the current market prices as soon as they were cleaned or otherwise treated and placed in storage in prime condition for disposition in domestic or foreign commerce.

After shippers had been paid for their grain they would still be allowed to retain the title to their shipments until final disposition of same has been made by the market and surplus department, in so far as marginal profits are concerned, and under the direction of a commerce sales director and his numerous able deputies at all export points.

I venture the assertion that the numerous rare advantages that would be afforded the members of a new association of farmers under this new plan are

far greater than their expectations, or the farm leaders themselves. I further believe it is safe to say they never anticipated any such benefits as described herein under any other plan of proposed farm relief that has been submitted heretofore.

In addition to the rare advantages provided for under this new plan, the potential benefits that are contemplated in connection with it, I consider are of paramount importance, not only to the farmers themselves but the operation of this system of regional district operating facilities would serve to materially increase the business of the Inland Waterways Corporation to the extent of 100 to 300 per cent or more.

In addition to the benefits that would accrue to the farmers (members only) under provisions of a Federal agricultural surplus act, titles 1 and 2, there would also be another great benefit to the farmers, under provisions of title act No. 3, which provides for a seasonal farm loan certificate system of short-time loans for six months to needy farmers only, ranging from \$200 to \$500 at a low rate of interest of 4 per cent per annum, depending on acceptable security as more fully described in section 11, articles 1 to 13, inclusive, of title act No. 3.

I believe it is a well-known fact that ex-President Coolidge was at no time opposed to extending substantial aid to American agriculture. On the contrary, he was willing and anxious at all times to give reasonable consideration to any sound, feasible, economic, permanent plan of assisting our national agriculture that had for its aim integrity, simplicity, and equality of purpose. In plainer terms, an ideal relief measure that would be compatible with the laws, rules, and regulations of domestic and international commerce. A system possessing these requisites would doubtless have been worthy of his confidence and susceptible of meritorious legislation in Congress.

About a year ago, if I remember correctly, Dr. Nicholas Murray Butler, present of Columbia University of New York, stated in a public address, during the year 1927, the farmers of this Nation received for the marketing of all their farm products about \$10,000,000,000, while the consumers paid approximately \$30,000,000,000 the same year, and that the difference of \$20,000,000,000 was received by the middlemen. I assume that enormous amount did not of course represent a net profit to them as I understand it. However, assuming that 60 per cent of that vast sum was net profit to them they would have received \$12,000,000,000. If this is true, then it is also reasonable to assume that if a feasible sound plan of farm relief can be established whereby the cost of marketing between the producer and the last purchaser or dealer can be reduced to the freight charges alone, it would doubtless serve to put that \$12,000,000,000 in the pockets of the farmers instead of commission men, speculators, grain brokers, exporters, and all others engaged in handling grain for farmers in various ways, including the high cost of operating cooperative associations. On basis of a least 60 per cent of the \$20,000,000,000 referred to herein the farmers would have received an average income of \$2,220 each for the year 1927. However, this manner of arriving at a fair net profit for the farmers is too vague and the proper basis should be computed on at least a conservative production cost.

Under the Capper-Volstead Act I understand farmers have the right to organize cooperative marketing associations. I also understand it does not give them the power to control and distribute their farm products and stabilize prices or to direct the disposition of their staple farm products in domestic or foreign trade, nor to create a national uniform-marketing plan for the benefit of their associations.

A perusal of my consolidated plan of farm relief providing for a systematic method of marketing the seasonal surpluses of grain by disposing of them in domestic or foreign commerce will, I believe, disclose the fact that all the inadequacies of the Capper-Volstead Act are adequately provided for under my system, including an added provision for a Federal farm loan certificate system, which I believe should be of material benefit to all farmers who may find it to their advantage to become members of a national association whereby they can avail themselves of the numerous rare benefits that would be accorded them under an extensive loan plan of this nature. It should serve to give them new courage as they would then be relieved of the high rate of interest on their summer loans which, owing to the low rate of interest they receive, it would cost them but a mere pittance as it would be equivalent to an interest rate of but 2 per cent for a six months' loan.

It has frequently been stated in the daily press and magazines, also in numerous public addresses in many sections of this Nation, that the farmers

are not receiving their fair share of the market prices for what the consumer has to pay for agricultural food products, and that they will never be in a position to do so until some way is found by which the distribution of staple farm surplus commodities can be successfully controlled, with a view of establishing a scale of market prices that will commensurate the farmers to the extent of a reasonable marginal profit based on a conservative or actual cost of production.

Under the new plan of farm relief that has been devised by me the conditions referred to in the paragraph next above, will have been materially, if not fully, remedied, in so far as the farmers are concerned, but what about the rest of the people of this Nation, viz, the masses—the middle and poorer classes. Who protects them? In considering a farm bill of national scope and gravity calculated to adequately provide for the necessary relief for our national agriculture, the rights of the common people at large should be given just consideration, and essentially the middle and poorer classes.

Respectfully submitted.

JOHN M. BYRNES.

Mr. ANDRESEN (presiding). That concludes your statement?

Mr. BYRNES. That concludes my brief only.

Mr. ANDRESEN. Your plan will be submitted to the committee, Mr. Byrnes.

Mr. BYRNES. I have my plan here. This is my bill, complete, that I wanted to read, because you can not get any reasonable conception of it unless it is read to the committee and the audience that might be here.

Mr. ANDRESEN. Your plan will be submitted to the committee, and then they will determine whether or not it shall go into the record. If it goes into the record all members of the committee will have an opportunity of reading it.

Mr. BYRNES. Do you mean my brief and my plan together?

Mr. ANDRESEN. Yes. Just file them with the committee.

Mr. BYRNES. I did intend to make quite an extended oral explanation of my bill on various points that I wanted to bring out in addition to what I have read in this brief. I presumed that I would have at least the full 30 minutes. I think my plan is so far different, as I told Mr. Fort, that it ought to be recognized and ought to be given more attention than could be given in 5 or 10 minutes.

Mr. ANDRESEN. All the plans submitted here will be considered by the committee. I assume that your plan is plain enough so that it will not be necessary for you to make any further explanation of it.

Mr. BYRNES. Yes; I believe it is.

Mr. Chairman and members of the committee, in view of the fact that I have what I call a consolidated plan of farm relief in three acts, providing for control and disposition of the agricultural surplus and a loan system combined with it that will be of invaluable service to the farmers at large, I wish to respectfully ask that this bill be considered independently and none of it injected into another bill, or anything of that kind, or vice versa. I would like to have it handled as an independent bill of mine.

Mr. ANDRESEN. It will be so considered, Mr. Byrnes.

Mr. BYRNES. I would appreciate it if you could do that; and although I have considerable more that I would like to say I presume my time is up.

Mr. CLARKE. You have the privilege of submitting all of the data you want to submit. It is up to the clearing house of this subcom-

mittee here to decide whether it shall or shall not go into the record.

(The roll was called for cross-examination, and there were no questions.)

Mr. ANDRESEN. Thank you very much, Mr. Byrnes.

Is there anything else to come before the committee this afternoon? If not, the committee will stand adjourned until 10 o'clock to-morrow morning.

(Thereupon, at 5.25 o'clock p. m., the committee adjourned to meet to-morrow, Thursday, April 4, 1929, at 10 o'clock a. m.)